

# CONSOLIDATED INCOME STATEMENT

For the years ended December 31

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

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

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

# CONSOLIDATED BALANCE SHEET

At December 31, 2020 and 2019

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

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# CONSOLIDATED CASH FLOW STATEMENT

For the years ended December 31

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## General information

### Business activities

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

### Approval of the consolidated financial statements

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

## Accounting policies

### Principles of consolidation

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

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

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

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

### Changes in accounting policies

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

### Scope of consolidation

The consolidated financial statements of Bachem comprise the financial statements of Bachem Holding AG and all companies in Switzerland and abroad that are controlled by Bachem Holding AG (with over 50% of the voting rights being held). The full list of the consolidated companies is to be found under note 23.

### Investments in subsidiaries

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

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

### Investments in associates

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

### Currency translation

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

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

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

The following exchange rates were used for foreign currency translation:

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

### Revenue recognition

#### *Sale of products*

The reported net sales correspond to the invoiced product deliveries to third parties after deducting sales tax, discounts and other sales deductions. Sales are generally recorded on the delivery date, although to some extent the ownership-related transfer of the risks and rewards to the buyer does not take place until after that date. This simplified procedure has no material effect on the consolidated financial statements. Inter-company sales are eliminated.

#### *Sale of services*

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

#### *Interest and dividend income*

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

### Segment information

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

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

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

For the two segments "Europe/Asia" and "North America," products and services in the fields of active pharmaceutical ingredients (APIs) and research chemicals (incl. custom synthesis) form the basis for sales.

**Cash and cash equivalents**

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

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

**Financial assets**

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

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

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

**Derivative financial instruments and hedging transactions**

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

**Trade and other receivables**

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

**Inventories**

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

**Property, plant and equipment and depreciation**

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

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

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

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

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

**Leases**

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

**Intangible assets***Goodwill*

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

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

*Patents and licenses*

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

*Brands*

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

*Software*

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

*Research and development costs*

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

**Financial liabilities**

Financial liabilities comprise loans, borrowings and finance lease liabilities.

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

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

**Taxes**

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

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

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

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

**Pension benefit obligations**

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

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

**Employee compensation (share based payments)**

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

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

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

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

**Borrowing costs**

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

**Provisions**

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

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

**Own shares**

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

**Dividend distribution**

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

**Risk assessment**

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

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

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

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

**Financial risk factors**

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

*Foreign exchange risk*

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

*Interest rate risk*

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

*Price risk*

The Group purchases equities, bonds and options for capital management purposes. In accordance with internal investment regulations, only non-operating assets are invested in such securities. Investment guidelines are defined for each asset class.

Investment decisions are taken by an investment committee. Potential investments are carefully screened and analyzed.

*Credit risk*

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

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

*Liquidity risk*

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

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

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

*Capital management*

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

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

### Related parties

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

### Critical accounting estimates and assumptions

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

### *Income taxes*

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

### *Provision for slow-moving inventory items*

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

### *Capitalized development costs*

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

## 1 Net sales

The reported net sales consist of the following:

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

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

## 2 Segment information

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

in 1 000 CHF	Europe/ Asia	North America	Total segments	Corporate and eliminations	Consolidated values
<b>Sales information 2020</b>					
Net sales third parties	184 976	217 019	401 995	0	<b>401 995</b>
Net sales intersegment	112 467	9 067	121 534	- 121 534	<b>0</b>
<b>Total net sales</b>	<b>297 443</b>	<b>226 086</b>	<b>523 529</b>	<b>- 121 534</b>	<b>401 995</b>
<b>Income information 2020</b>					
Operating income (EBIT)	74 485	27 809	102 294	- 5 631 <sup>1</sup>	<b>96 663</b>
<b>Other information 2020</b>					
Additions in property, plant and equipment and intangible assets	61 326	15 174	76 500	0	<b>76 500</b>
Depreciation and amortization	- 21 818	- 4 089	- 25 907	- 12	<b>- 25 919</b>
Total assets	555 108	169 972	725 080	- 14 196 <sup>2</sup>	<b>710 884</b>
Total liabilities	335 270	77 992	413 262	- 178 092 <sup>3</sup>	<b>235 170</b>

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

in 1000 CHF	Europe/ Asia	North America	Total segments	Corporate and eliminations	Consolidated values
<b>Sales information 2019</b>					
Net sales third parties	158 564	155 151	313 715	0	<b>313 715</b>
Net sales intersegment	74 208	6 212	80 420	- 80 420	<b>0</b>
<b>Total net sales</b>	<b>232 772</b>	<b>161 363</b>	<b>394 135</b>	<b>- 80 420</b>	<b>313 715</b>
<b>Income information 2019</b>					
Operating income (EBIT)	51 677	17 422	69 099	- 6 739 <sup>1</sup>	<b>62 360</b>
<b>Other information 2019</b>					
Additions in property, plant and equipment and intangible assets	26 158	6 569	32 727	0	<b>32 727</b>
Depreciation and amortization	- 20 625	- 4 249	- 24 874	- 14	<b>- 24 888</b>
Total assets	502 839	171 695	674 534	- 27 390 <sup>2</sup>	<b>647 144</b>
Total liabilities	295 743	88 406	384 149	- 184 823 <sup>3</sup>	<b>199 326</b>

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

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

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

Information about geographical areas – net sales third parties in 1000 CHF	2020	2019
Switzerland	23 552	23 040
USA	216 654	151 749
Germany	28 547	23 468
Ireland	23 644	10 287
Great Britain	23 568	17 601
Japan	21 263	17 038
Austria	8 482	20 923
Rest of the world	56 285	49 609
<b>Total</b>	<b>401 995</b>	<b>313 715</b>

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

### 3 Staff costs

in 1000 CHF	2020	2019
Salaries and wages	- 136 595	- 113 615
Pension expenses	- 8 420	- 7 291
Other social security expenses	- 20 956	- 17 224
Share-based payments	- 1 283	- 1 032
External staff costs	- 3 522	- 1 642
Other personnel-related costs	- 7 178	- 5 140
<b>Total staff costs</b>	<b>- 177 954</b>	<b>- 145 944</b>

#### 4 Post-employment benefits

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

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

Economic benefit/economic obligation and pension expenses in 1 000 CHF	Surplus/deficit	Economical share of the Bachem Group	Change with effect on income statement	Contributions	Pension expenses in staff costs	
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019	2020	2020	2019
Patronage funds	0	0	0	0	0	0
Plans without surplus/deficit	0	0	0	0	1 050	1 095
Plans with surplus	2 433	0	0	0	7 370	6 196
Plans with deficit	0	0	0	0	0	0
Plans without own assets	0	0	0	0	0	0
<b>Total</b>	<b>2 433</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8 420</b>	<b>7 291</b>

Employer contribution reserves in 1 000 CHF	Nominal value	Renounced use	Asset according to balance sheet		Change	Result from employer contribution reserves in staff costs	
	Dec. 31, 2020	Dec. 31, 2020	2020	2019	2020	2020	2019
Patronage funds	0	0	0	0	0	0	0
Pension institution	320	0	320	320	0	0	0
<b>Total</b>	<b>320</b>	<b>0</b>	<b>320</b>	<b>320</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 5 Financial income

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

#### 6 Financial expenses

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

Other financial expenses mainly include bank charges.

**7 Income taxes**

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

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

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

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

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

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

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

## 8 Earnings per share

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

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

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

## 9 Trade receivables

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

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

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

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

The aging analysis of trade receivables is as follows:

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

### 10 Other current receivables

in 1000 CHF	<b>Dec. 31, 2020</b>	Dec. 31, 2019
Other receivables	4 404	2 782
<b>Total other current receivables</b>	<b>4 404</b>	<b>2 782</b>

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

### 11 Prepaid expenses and deferred income

in 1000 CHF	<b>Dec. 31, 2020</b>	Dec. 31, 2019
Prepaid expenses and accrued income	2 802	2 979
<b>Total prepaid expenses and accrued income</b>	<b>2 802</b>	<b>2 979</b>

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

### 12 Inventories

in 1000 CHF	<b>Dec. 31, 2020</b>	Dec. 31, 2019
Raw materials	48 075	39 962
Work in progress	32 375	22 051
Semi-finished and finished goods	164 788	157 161
<b>Total inventories</b>	<b>245 238</b>	<b>219 174</b>

The valuation provision in the total amount of 37 657 kCHF (2019: 32 475 kCHF) is included in the above line items. The change as well as the utilization of the provision are included in the cost of goods sold.

## 13 Property, plant and equipment

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

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

Bachem does not have any undeveloped land.

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

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

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

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

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

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

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

## 14 Intangible assets

2020 in 1 000 CHF	Software	Capitalized development costs	Other intangible assets	Total
<b>Cost at January 1</b>	<b>42 938</b>	<b>2 660</b>	<b>46</b>	<b>45 644</b>
Additions	3 010	0	0	3 010
Disposals	0	0	0	0
Reclassifications	42	0	0	42
Currency translation differences	- 300	0	0	- 300
<b>Cost at December 31</b>	<b>45 690</b>	<b>2 660</b>	<b>46</b>	<b>48 396</b>
<b>Accumulated amortization at January 1</b>	<b>- 29 616</b>	<b>- 2 524</b>	<b>- 46</b>	<b>- 32 186</b>
Amortization	- 2 986	- 69	0	- 3 055
Disposals	0	0	0	0
Currency translation differences	229	0	0	229
<b>Accumulated amortization at December 31</b>	<b>- 32 373</b>	<b>- 2 593</b>	<b>- 46</b>	<b>- 35 012</b>
<b>Net book value at December 31</b>	<b>13 317</b>	<b>67</b>	<b>0</b>	<b>13 384</b>
2019 in 1 000 CHF	Software	Capitalized development costs	Other intangible assets	Total
<b>Cost at January 1</b>	<b>40 449</b>	<b>2 660</b>	<b>526</b>	<b>43 635</b>
Additions	2 679	0	0	2 679
Disposals	- 128	0	- 480	- 608
Currency translation differences	- 62	0	0	- 62
<b>Cost at December 31</b>	<b>42 938</b>	<b>2 660</b>	<b>46</b>	<b>45 644</b>
<b>Accumulated amortization at January 1</b>	<b>- 27 131</b>	<b>- 2 455</b>	<b>- 526</b>	<b>- 30 112</b>
Amortization	- 2 662	- 69	0	- 2 731
Disposals	128	0	480	608
Currency translation differences	49	0	0	49
<b>Accumulated amortization at December 31</b>	<b>- 29 616</b>	<b>- 2 524</b>	<b>- 46</b>	<b>- 32 186</b>
<b>Net book value at December 31</b>	<b>13 322</b>	<b>136</b>	<b>0</b>	<b>13 458</b>

**15 Trade payables**

in 1000 CHF	<b>Dec. 31, 2020</b>	Dec. 31, 2019
Trade payables	25 526	18 189
<b>Total trade payables</b>	<b>25 526</b>	<b>18 189</b>

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

**16 Other current liabilities**

in 1000 CHF	<b>Dec. 31, 2020</b>	Dec. 31, 2019
Other liabilities	22 523	14 016
Prepayments	11 354	3 488
<b>Total other current liabilities</b>	<b>33 877</b>	<b>17 504</b>

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

**17 Accrued expenses and deferred income**

in 1000 CHF	<b>Dec. 31, 2020</b>	Dec. 31, 2019
Accrued expenses and deferred income	26 899	19 395
<b>Total accrued expenses and deferred income</b>	<b>26 899</b>	<b>19 395</b>

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

## 18 Financial liabilities

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

The loans from related parties (see note 24) and the bank loans were provided as unsecured business loans in CHF and bear an average interest of 0.3% p. a.

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

Details concerning finance leases are disclosed in note 13.

## 19 Maturities of financial liabilities

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

December 31, 2020 in 1 000 CHF	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables	15 846	9 645	35			<b>25 526</b>
Other current liabilities	18 048	5 982	9 847			<b>33 877</b>
Accrued expenses and deferred income	4 506	1 882	20 511			<b>26 899</b>
Current income tax liabilities	0	1 899	1 879			<b>3 778</b>
Current financial liabilities	22 310	25 026	73			<b>47 409</b>
Non-current financial liabilities				60 142	0	<b>60 142</b>

December 31, 2019 in 1 000 CHF	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables	11 657	6 532				<b>18 189</b>
Other current liabilities	10 475	4 770	2 259			<b>17 504</b>
Accrued expenses and deferred income	4 502	884	14 009			<b>19 395</b>
Current income tax liabilities	43	1 626	676			<b>2 345</b>
Current financial liabilities	46 813	35	69			<b>46 917</b>
Non-current financial liabilities				60 184	0	<b>60 184</b>

## 20 Share capital

The share capital is divided into 7 002 059 shares Bachem A (50.01% of share capital) and 6 997 941 shares Bachem B (49.99% of share capital). The shares Bachem B are traded at the SIX Swiss Exchange in Zurich under valor number 1 253 020. There are no differences between the two share categories except the listing of the Bachem B shares at the SIX Swiss Exchange. All shares are registered shares which are eligible to vote and entitled to dividend. All Bachem A shares are owned by Ingro Finanz AG. The important shareholders are listed in the notes to the financial statements of Bachem Holding AG in note 8 on page 96.

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

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

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

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

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

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

## 21 Share-based payment

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

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

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

Bachem holds own shares in order to meet its obligations under the employee participation plans. For the change in the number of Bachem shares outstanding, please refer to note 20.

## 22 Dividend distribution

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

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

## 23 Consolidated companies

Consolidated company	Country	Currency	Registered capital	Equity share Dec. 31, 2020	Equity share Dec. 31, 2019
Bachem Holding AG, Bubendorf	Switzerland	CHF	700 000	100%	100%
Bachem AG, Bubendorf	Switzerland	CHF	25 000 000	100%	100%
Bachem Distribution Services GmbH, Weil am Rhein	Germany	EUR	128 000	100%	100%
Bachem (UK) Ltd., St. Helens	England	GBP	2 500	100%	100%
Bachem Americas, Inc., Torrance	USA	USD	3 000	100%	100%
Peninsula Laboratories, LLC, San Carlos	USA	USD	32 000	100%	100%
Bachem Japan K.K., Tokyo	Japan	JPY	10 000 000	100%	100%

## 24 Related party transactions

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

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

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

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

## 25 Theoretical goodwill

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

Theoretical goodwill in 1 000 CHF	2020	2019
<b>Theoretical cost at January 1</b>	<b>1 352</b>	<b>1 352</b>
Additions from acquisitions	0	0
<b>Theoretical cost at December 31</b>	<b>1 352</b>	<b>1 352</b>
<b>Theoretical accumulated amortization at January 1</b>	<b>- 1 283</b>	<b>- 1 013</b>
Theoretical amortization	-69	-270
<b>Theoretical accumulated amortization at December 31</b>	<b>- 1 352</b>	<b>- 1 283</b>
<b>Theoretical net book value of goodwill at December 31</b>	<b>0</b>	<b>69</b>

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

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

in 1 000 CHF	2020	2019
<b>Net income according to income statement</b>	<b>78 062</b>	<b>54 164</b>
Theoretical amortization of goodwill	-69	-270
<b>Theoretical net income after amortization of goodwill</b>	<b>77 993</b>	<b>53 894</b>

## 26 Contingent liabilities and other commitments

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

## 27 Events after the balance sheet date

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

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

### **Opinion**

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

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

### **Basis for Opinion**

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

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

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

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

- Inventory provision

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

## INVENTORY PROVISION

### KEY AUDIT MATTER

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

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

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

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

### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We performed the following audit procedures:

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

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

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

Zurich, March 3, 2021

MAZARS AG

Cyprian Bumann  
Licensed Audit Expert  
Auditor in Charge

Roger Leu  
Licensed Audit Expert