

Interim Report as at June 30, 2017

BB Biotech

Multi-year comparison

	06/30/2017	2016	2015	2014	2013
Market capitalization at the end of the period (in CHF mn)	3 257.5	3 052.5	3 463.2	2 799.0	1 668.5
Net Asset Value at the end of the period (in CHF mn)	3 329.1	3 003.0	3 978.2	3 492.5	2 118.9
Number of shares (in mn) ¹⁾	55.4	55.4	59.3	59.3	59.3
Trading volume (in CHF mn)	1 557.0	3 204.5	6 265.2	3 186.6	1 289.3
Profit/(loss) (in CHF mn)	478.4	(802.1)	652.8	1 470.1	931.8
Closing price at the end of the period in CHF ¹⁾	58.80	55.10	58.45	47.24	28.16
Closing price (G) at the end of the period in EUR ¹⁾	53.57	51.70	53.99	39.60	23.04
Closing price (I) at the end of the period in EUR ¹⁾	53.65	51.60	54.18	39.34	23.08
Stock performance (incl. distributions)	12.2%	0.3%	28.2%	75.1%	66.0%
High/low share price in CHF ¹⁾	60.75/52.10	58.20/40.78	70.25/46.48	48.16/26.74	29.38/17.90
High/low share price in EUR ¹⁾	57.00/48.42	53.98/36.74	66.02/39.39	39.98/21.82	23.94/14.69
Premium/(discount) (annual average)	(3.6%)	(5.1%)	(17.6%)	(22.1%)	(23.1%)
Cash distribution / dividend in CHF ¹⁾	N.A.	2.75	2.90	2.32	1.40
Degree of investment (quarterly figures)	104.8%	109.9%	101.0%	104.6%	104.5%
Total Expense Ratio (TER) p.a.	1.23%	1.28%	1.13%	1.14%	1.02%

¹⁾ Five-for-one share split as at March 29, 2016 considered

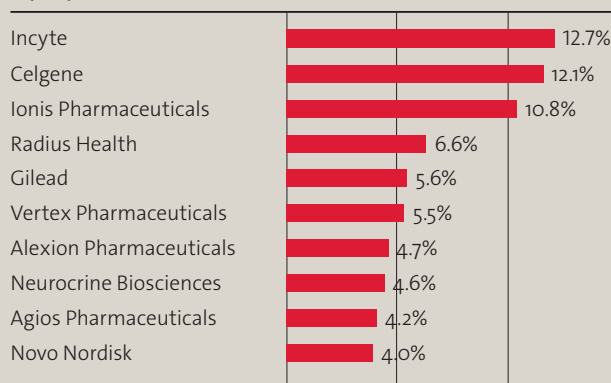
Share price trend since foundation (in CHF)



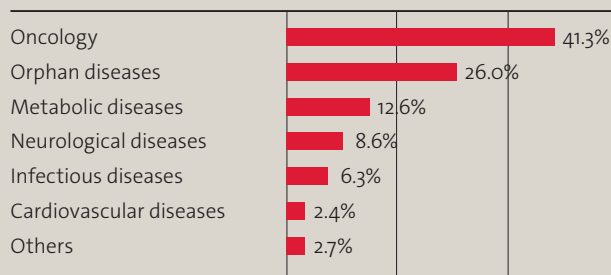
■ BB Biotech share
 ■ BB Biotech Net Asset Value
 ■ Nasdaq Biotech Index

Source: Bloomberg, 06/30/2017

Top 10 positions as at June 30, 2017



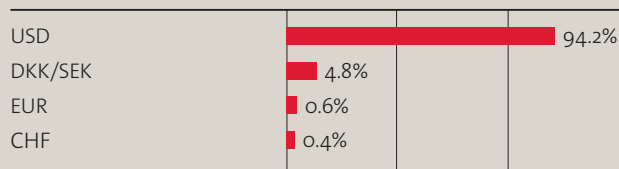
Breakdown by sector as at June 30, 2017



Performance (adjusted for distributions, in local currency)

As of 06/30/2017	YTD	3 years	5 years	11/15/93
Switzerland	+12.2%	+116.7%	+387.2%	+1919%
Germany	+8.8%	+139.1%	+432.3%	N.A.
Italy	+9.2%	+139.9%	+431.3%	N.A.

Breakdown by currency as at June 30, 2017



Weight in % of securities

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Dear shareholders,

Healthcare stocks outperformed the broad equity indices, with the MSCI Healthcare Index gaining 7.1% in USD and the Nasdaq Biotechnology Index gaining 5.9% during the second quarter of 2017 (in USD). Local returns in the broader equity markets were also positive, ranging from 1.2% for the Euro Stoxx 600 (in EUR), to 3.1% for the S&P 500 (in USD), and 5.1% for the Swiss Performance Index SPI (in CHF).

Equity trends played out against a backdrop of currency shifts associated with the political and economic outlook. The US Federal Reserve Bank did take action on interest rates, the European political landscape stabilized with the French elections, and ramifications of Brexit (now called Brexodus) began to sink in. These and other factors drove the value of the US dollar down by more than 6% against the Euro and by more than 4% against the Swiss Franc, while Sterling strengthened modestly in the second quarter.

Healthcare stocks, including those in the drug space, were driven by corporate fundamentals, but also by continued chatter about the potential for US healthcare “repeal and replace legislation” – which was finally deferred once more as the Senate failed to move forward with the latest Republican bill. As the saga plays out, BB Biotech’s prediction that US drug pricing policy changes are more likely to be evolutionary rather than revolutionary seems to be holding true so far.

BB Biotech Q2 2017 and H1 2017 performance

Total share return for BB Biotech in the second quarter of 2017 was 4.2% in CHF, 1.6% in EUR and 9.0% in USD, reflecting short-term currency fluctuations. The NAV gained 3.2% in CHF, 0.7% in EUR and 8.0% in USD. Consequently, second quarter net income amounted to CHF 103 mn, compared to CHF 36 mn for the same period in 2016.

Total share return for BB Biotech in the first half was 12.2% in CHF, 8.8% in EUR and 19.4% in USD, while total return for the NAV was 16.1% in CHF, 13.1% in EUR and 23.5% in USD. Consequently, H1 2017 net income amounted to CHF 478 mn, compared to a loss of CHF 1 170 mn for H1 2016.

BB Biotech’s level of investment, which had been 106.8% at the beginning of the year and 109.5% at the end of the first

quarter declined to a non-leveraged 100.1% by the end of Q2 2017. These financial data demonstrate that the challenges of early 2016 have been overcome and that the company is back on a growth trajectory.

BB Biotech’s portfolio delivered important milestones

Actelion’s share price traded around the USD 280 per share take-over bid from Johnson & Johnson during the entire Q2, following the official announcement of the transaction in January 2017. Therefore, closure of the transaction in mid-June 2017 did not add much to the portfolio performance in Q2. But the transaction strengthened the cash position substantially. In addition, the granted dividend, which was paid out as Idorsia shares, got off to a promising start – trading well on the Swiss stock exchange. Actelion has been a substantial success for BB Biotech. Over the life time of the investment, BB Biotech achieved cumulative long term gains well above CHF 750 mn. The team can be patient in waiting for additional likely M&A activities within the biotechnology sector going forward.

The biotech sector continued to deliver important new products to the US market. In all, 23 new drugs were approved in the first six months of 2017, already surpassing the total number of drugs approved in 2016, which was a somewhat lean year. In BB Biotech’s portfolio, a series of valuable and important products reached the US market during the second quarter of 2017:

- Tymlos (abaloparatide) from Radius Health, a human parathyroid hormone-related peptide analog, for the treatment of osteoporosis in post-menopausal women at high risk for fracture
- Ingrezza (valbenazine) from Neurocrine Biosciences, a VMAT2 inhibitor, for the treatment of tardive dyskinesia
- Zejula (niraparib) from Tesaro, a poly ADP-ribose polymerase inhibitor, for the treatment of recurrent ovarian cancer
- Kevzara (sarilumab) from Regeneron, an antibody targeting the interleukin-6 receptor, for the treatment of moderate and severely active rheumatoid arthritis

The Eli Lilly/Incyte JAK inhibitor – Olumiant (baricitinib), being developed for the treatment of rheumatoid arthritis, received an unexpected complete response letter of rejec-

tion from the FDA. Eli Lilly signaled their intention to work with FDA officials to clarify options ahead which they say range from re-filing an NDA to performing additional clinical trials. Olumiant has in the meantime been approved by the European agency and by the Japanese Ministry of Health, Labor and Welfare.

Recently approved products got off to promising commercial starts in the US. Biogen Idec, commercial partner for Ionis' Spinraza (Nusinersen) reported USD 47 mn in sales for the first quarter of launch. Dupixent (Dupilumab) from Regeneron, approved in the first quarter of 2017, also appeared to enjoy strong uptake in the first three commercial months based on US prescription data.

Clinical trial results continue to influence valuations of the smaller and mid-sized portfolio companies. Ionis announced positive Phase III clinical trial results for Inotersen (IONIS-TTRX) in patients with familial amyloid polyneuropathy (FAP). Inotersen demonstrated beneficial effects for both the modified Neuropathy Impairment Score and for the quality of life questionnaire. These results lifted Ionis' share price. The news read-through to Alnylam – expected to report data from an ongoing Phase III study for Patisiran treating hereditary ATTR amyloidosis – as investors anticipate success of the Patisiran program. While BB Biotech is looking forward to seeing the data, some investors are apparently assuming a better adverse event profile for Patisiran over Inotersen.

Celgene announced positive Phase III trial results for Ozanimod in patients with relapsing multiple sclerosis. Ozanimod, a selective sphingosine 1-phosphate 1 and 5 (S1P1/5) receptor modulator, demonstrated a reduced annual relapse rate compared to interferon beta-1a (Avonex). Celgene plans to submit a new drug application to the US FDA by end of 2017.

Alder reported initial Phase III data for eptinezumab, their monoclonal antibody inhibiting CGRP, for the prevention of frequent episodic migraine. While the trial met its primary endpoint, investors focused on the observed effect size for higher doses of the test medication and concluded the results don't quite measure up to those of competitors. In

light of Alder's need to raise capital, the data comparison pushed its shares down in price significantly.

Improved capital markets sparked renewed fund-raising activities in smaller and midcap holdings. During the second quarter, six of the portfolio companies (Neurocrine, Alnylam, Agios, Avexis, Halozyme and Macrogenics) raised a total of

«23 new drugs were approved in the first six months of 2017, already surpassing the total number of drugs approved in 2016.»

about USD 1.6 bn in new equity capital. This demonstrates the strength of capital market conviction in the future of biotech and mirrors BB Biotech's own optimism about these promising companies.

Portfolio changes

Thanks in large part to cash gains from the Actelion takeover by Johnson & Johnson, the second quarter of 2017 portfolio turnover was significantly above last year's average. Excluding the more than 8% change in the portfolio due to Actelion alone, portfolio adjustments of remaining positions were in line with the first quarter. BB Biotech did not invest in any new companies during the second quarter of 2017. Idorsia shares were received as a dividend in kind from the Actelion – Johnson & Johnson transaction. The remaining shares in Puma Biotechnology and in PTC Therapeutics were sold as both companies reached their valuation targets. Shareholdings in Alexion, Alder, Avexis, Esperion, Halozyme, Intra-Cellular, Neurocrine and Radius Health were increased during the second quarter. Further profits were taken in Novo Nordisk, Celgene, Regeneron, Ionis, Kite and Swedish Orphan Biovitrum positions.

Outlook

In the second half of 2017, BB Biotech expects continued US Congressional debate on healthcare legislation – but also continues to believe that drug price policy shifts will be

more evolutionary than revolutionary. Uncertainty remains, however, and while the financial community is now accustomed to Presidential tweets, the future of US healthcare cannot be predicted with precision – and therefore sporadic volatility should be anticipated. BB Biotech will continue to monitor discussions, activities and developments very closely. Despite US – and indeed global – uncertainties regarding healthcare, BB Biotech’s long-standing and successful process of selecting investments in companies which deliver novel drugs for unmet medical needs with a simultaneous focus on pharmaco-economic value and evolving

pricing policies continues to be an approach which can deliver excellent returns to BB Biotech shareholders. Overall, the encouraging progress seen in biotechnology during the first half of 2017 should continue as portfolio companies move forward with their drug development programs, gain approvals of important new products, and continue to demonstrate commercial progress. BB Biotech’s confidence and long-term commitment to the biotechnology sector remain very strong.

We thank you for the trust you have placed in the Company.

The Board of Directors of BB Biotech AG



Dr. Erich Hunziker, Chairman



Dr. Clive Meanwell



Prof. Dr. Dr. Klaus Strein

Participations as at June 30, 2017

Company	Number of securities	Change since 12/31/2016	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Incyte	3 514 822	(365 000)	USD	125.91	424.1	12.7%	12.7%	1.7%
Celgene	3 249 298	(210 000)	USD	129.87	404.4	12.1%	12.1%	0.4%
Ionis Pharmaceuticals	7 354 095	440 923	USD	50.87	358.5	10.8%	10.8%	5.9%
Radius Health	5 038 799	678 400	USD	45.23	218.4	6.6%	6.6%	12.0%
Gilead	2 774 596	–	USD	70.78	188.2	5.6%	5.7%	0.2%
Vertex Pharmaceuticals	1 475 445	60 000	USD	128.87	182.2	5.5%	5.5%	0.6%
Alexion Pharmaceuticals	1 354 428	125 000	USD	121.67	157.9	4.7%	4.7%	0.6%
Neurocrine Biosciences	3 446 552	295 000	USD	46.00	151.9	4.6%	4.6%	3.9%
Agios Pharmaceuticals	2 869 528	60 000	USD	51.45	141.5	4.2%	4.2%	6.0%
Novo Nordisk	3 247 598	161 746	DKK	278.80	133.3	4.0%	4.0%	0.2%
Tesaro	877 990	(96 592)	USD	139.86	117.7	3.5%	3.5%	1.6%
Halozyyme Therapeutics	8 265 304	665 472	USD	12.82	101.5	3.0%	3.1%	5.9%
Alnylam Pharmaceuticals	1 221 338	30 000	USD	79.76	93.4	2.8%	2.8%	1.3%
Regeneron Pharmaceuticals	180 000	(65 000)	USD	491.14	84.7	2.5%	2.5%	0.2%
Sage Therapeutics	907 439	(115 000)	USD	79.64	69.3	2.1%	2.1%	2.4%
Esperion Therapeutics	1 513 542	205 000	USD	46.28	67.1	2.0%	2.0%	6.7%
Kite Pharma	640 000	(160 000)	USD	103.67	63.6	1.9%	1.9%	1.1%
Juno Therapeutics	2 185 000	315 000	USD	29.89	62.6	1.9%	1.9%	2.1%
Macrogenics	2 350 112	430 112	USD	17.51	39.4	1.2%	1.2%	6.7%
Myovant Sciences	3 317 171	124 336	USD	11.70	37.2	1.1%	1.1%	5.5%
AveXis	402 800	50 000	USD	82.16	31.7	1.0%	1.0%	1.3%
Intercept Pharmaceuticals	255 719	–	USD	121.07	29.7	0.9%	0.9%	1.0%
Swedish Orphan Biovitrum	1 738 203	(2 711 131)	SEK	130.00	25.7	0.8%	0.8%	0.6%
Intra-Cellular Therapies	2 150 000	575 000	USD	12.42	25.6	0.8%	0.8%	5.0%
Five Prime Therapeutics	777 500	777 500	USD	30.11	22.4	0.7%	0.7%	2.7%
Alder Biopharmaceuticals	1 941 008	255 858	USD	11.45	21.3	0.6%	0.6%	3.9%
Probiodrug	1 050 784	–	EUR	16.70	19.2	0.6%	0.6%	12.8%
Prothena Corp.	350 000	–	USD	54.12	18.2	0.5%	0.5%	0.9%
Idorsia	763 882	763 882	CHF	18.10	13.8	0.4%	0.4%	0.6%
Novavax	8 330 000	–	USD	1.15	9.2	0.3%	0.3%	3.0%
Cidara Therapeutics	1 102 578	58 754	USD	7.50	7.9	0.2%	0.2%	6.6%
Achillion Pharmaceuticals	1 279 340	–	USD	4.59	5.6	0.2%	0.2%	0.9%
Radius Health warrants, 04/23/2018	107 114	–	USD	31.44	3.2	0.1%	0.1%	
Radius Health warrants, 02/19/2019	71 409	–	USD	31.94	2.2	0.1%	0.1%	
Total securities					3 332.6	100.0%	100.1%	
Other assets					26.5		0.8%	
Other payables					(30.0)		(0.9%)	
Net asset value					3 329.1		100.0%	
BB Biotech registered shares ¹⁾	–	(15 715)			–			0.0%

¹⁾ Correspond to the total of all own shares held including the second trading line
Exchange rates as at 06/30/2017:
USD/CHF: 0.95830; DKK/CHF: 14.72380; EUR/CHF: 1.09468; SEK/CHF: 11.36860

Investment strategy

BB Biotech invests in fast-growing biotechnology companies that are developing and marketing innovative drugs. It focuses on biotech companies whose products address areas of significant unmet medical needs and that are generating above-average sales and profit growth. The focus is primarily on profitable mid- and large-cap companies as well as smaller biotech companies with attractive R&D pipelines, preferably with products already in the final stages of clinical development. A total return of 15% p.a. over a medium- to longer-term investment horizon is targeted.

Focus on equity investments

The asset classes available to BB Biotech are direct investments in the shares of listed companies, equity interests in unlisted companies, corporate bonds, and options on a range of underlying assets. BB Biotech invests almost exclusively in stocks for liquidity and risk/return reasons. Investments in private companies can account for no more than 10% of the portfolio. These investments will generally be increased if stock markets advance over a longer period of time. Corporate bonds are an alternative primarily when stock market trends are negative. Options on the stocks of portfolio companies will be bought and sold at opportune times and as a means of hedging currency exposure.

Fundamental, bottom-up investment process

Exhaustive, multi-stage due diligence precedes the selection of individual investments. We must have a thorough understanding of every company we invest in. Before an investment is made, the team analyzes a company's financial statements in detail and assesses its competitive environment, R&D pipeline, and patent portfolio as well as its customers' perceptions of its products and services. Close contact with company ex-

ecutives is of high importance to us in this due diligence process, but also afterwards, as we believe that it takes strong leaders to achieve strong results. Having such a profound understanding of the companies in its portfolio improves BB Biotech's investment tactics, allowing it, for example, to exit a position in a timely fashion if there are signs of a significant deterioration in a company's fundamentals.

Portfolio with clear areas of focus

BB Biotech's investment portfolio will usually consist of 20 to 35 biotechnology companies. This will include five to eight large core positions, which together will account for up to two-thirds of the portfolio. Due to their substantial portfolio weighting, the core portfolio companies must have sound business models and be generating both revenues and profits. No single core position will have a weighting of more than 25%. Smaller positions will be taken in innovative biotech companies with promising R&D pipelines. Europe's biotech sector has produced few truly attractive investment opportunities in recent years, but there has been a wide variety of fast-growing companies to choose from in the USA. This situation is also reflected in BB Biotech's portfolio. As a result of our fundamental stock-picking approach, more than four-fifths of the current portfolio companies are based in the USA.

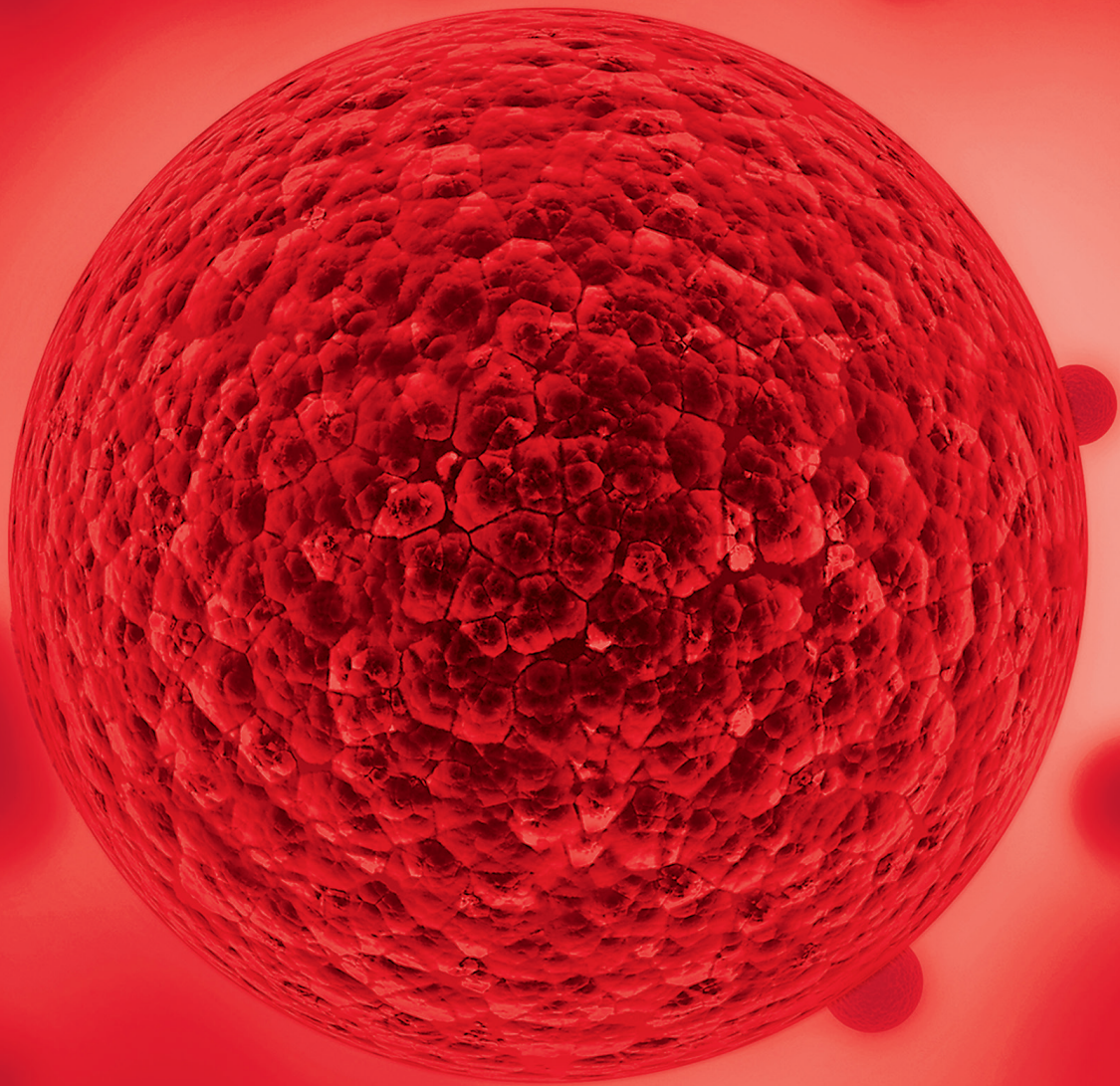
S-curve concept

New investments in mid-cap companies will have a weighting of between 0.5% and a maximum of 4% to ensure that both upside potential and R&D risks are adequately addressed. Technically, BB Biotech has the flexibility to increase portfolio weightings considerably. Smaller positions may become a top holding as their business develops and milestones such as positive Phase III outcomes, drug approvals, the successful marketing of products, and a sustainable flow of profits are achieved. The top holdings are continually monitored, taking into account their valuations, growth potential and other aspects, and will be reduced if and when appropriate.

«BB Biotech's investment portfolio will usually consist of 20 to 35 biotechnology companies, including 5 to 8 core positions.»

BB Biotech relies on the long-standing experience of its distinguished Board of Directors and on the fundamental analysis of the experienced Investment Management Team of Bellevue Asset Management Group when making its investment decisions. It can also turn to an extensive interna-

*«BB Biotech is a strong growth
play and it offers a high income stream
on top of that.»*



Consolidated balance sheet

(in CHF 1 000)

	Notes	2017/06/30	2016/12/31
Current assets			
Cash and cash equivalents		23 007	10 229
Receivables from brokers		3 526	10 151
Securities at fair value through profit or loss	4	3 332 634	3 205 856
Other assets		5	1
		3 359 172	3 226 237
Total assets		3 359 172	3 226 237
Current liabilities			
Short-term borrowings from banks	5	–	205 000
Payables to brokers		26 332	14 593
Other short-term liabilities		3 686	3 483
Tax liabilities		103	142
		30 121	223 218
Total liabilities		30 121	223 218
Shareholders' equity			
Share capital	6	11 080	11 080
Treasury shares	6	–	(859)
Retained earnings		3 317 971	2 992 798
		3 329 051	3 003 019
Total liabilities and shareholders' equity		3 359 172	3 226 237
Net asset value per share in CHF		60.10	54.20

The notes on pages 12 to 16 are an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements were approved by the Board of Directors on July 18, 2017.

Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/–06/30/2017	01/01/–06/30/2016	04/01/–06/30/2017	04/01/–06/30/2016
Operating income					
Net gains from securities	4	495 813	–	112 813	41 016
Dividend income		3 685	6 169	965	3 876
Other income		4	137	–	–
		499 502	6 306	113 778	44 892
Operating expenses					
Net losses from securities	4	–	(1 156 780)	–	–
Finance expenses		(473)	(544)	(270)	(330)
Foreign exchange losses net		(672)	(173)	(425)	(32)
Administrative expenses	7	(17 575)	(16 210)	(8 800)	(8 129)
Other expenses		(2 380)	(2 518)	(888)	(845)
		(21 100)	(1 176 225)	(10 383)	(9 336)
Operating income before tax	8	478 402	(1 169 919)	103 395	35 556
Income taxes		(18)	(15)	(10)	(8)
Net income for the period		478 384	(1 169 934)	103 385	35 548
Total comprehensive income for the period		478 384	(1 169 934)	103 385	35 548
Income per share in CHF		8.65	(21.13)	1.87	0.64
Diluted income per share in CHF		8.65	(21.12)	1.87	0.64

The notes on pages 12 to 16 are an integral part of these condensed consolidated interim financial statements.

Consolidated statement of changes in equity

(in CHF 1 000)

	Share capital	Treasury shares	Retained earnings	Total
Balances at January 1, 2016	11 850	(119 332)	4 085 640	3 978 158
Cash distribution / dividend	–	–	(160 489)	(160 489)
Trade with treasury shares (incl. change in balance)	–	(26 484)	17	(26 467)
Share-based remuneration	–	–	59	59
Total comprehensive income for the period	–	–	(1 169 934)	(1 169 934)
Balances at June 30, 2016	11 850	(145 816)	2 755 293	2 621 327
Balances at January 1, 2017	11 080	(859)	2 992 798	3 003 019
Dividend	–	–	(152 066)	(152 066)
Trade with treasury shares (incl. change in balance)	–	859	(1 170)	(311)
Share-based remuneration	–	–	25	25
Total comprehensive income for the period	–	–	478 384	478 384
Balances at June 30, 2017	11 080	–	3 317 971	3 329 051

The notes on pages 12 to 16 are an integral part of these condensed consolidated interim financial statements.

Consolidated statement of cash flow

(in CHF 1 000)

	Notes	01/01/–06/30/2017	01/01/–06/30/2016
Cash flows from operating activities			
Proceeds from sales of securities	4	608 453	143 579
Purchase of securities	4	(220 254)	(136 640)
Dividend receipts		3 685	6 169
Payments for services		(19 733)	(19 712)
Income taxes paid		(52)	(171)
Total cash flows from operating activities		372 099	(6 775)
Cash flows from financing activities			
Cash distribution / dividend		(152 066)	(160 489)
Proceeds from sales of treasury shares	6	12 422	22 730
Purchase of treasury shares	6	(13 532)	(47 528)
(Repayment)/borrowing of bank loans	5	(205 000)	185 000
Interest payments		(473)	(544)
Total cash flows from financing activities		(358 649)	(831)
Foreign exchange difference		(672)	(173)
Change in cash and cash equivalents		12 778	(7 779)
Cash and cash equivalents at the beginning of the period		10 229	21 059
Cash and cash equivalents at the end of the period		23 007	13 280

The notes on pages 12 to 16 are an integral part of these condensed consolidated interim financial statements.

1. The Company and its principal activity

BB Biotech AG (the Company) is listed on the SIX Swiss Exchange, in the «Prime Standard Segment» of the German Exchange as well as in the «Star Segment» of the Italian Exchange and has its registered office in Schaffhausen, Schwertstrasse 6. Its principal activity is to invest in companies active in the biotechnology industry for the purpose of capital appreciation. The investments are held through its wholly owned subsidiaries.

Company	Capital in CHF 1 000	Capital and voting interest in %
Biotech Focus N.V., Curaçao	11	100
Biotech Growth N.V., Curaçao	11	100
Biotech Invest N.V., Curaçao	11	100
Biotech Target N.V., Curaçao	11	100

2. Accounting policies

The condensed consolidated interim financial statements of the Company and its subsidiary companies (the Group) have been prepared in accordance with International Accounting Standards (IAS) 34 «Interim Financial Reporting,» as well as the provisions of the rules of the SIX Swiss Exchange for Investment Companies and should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2016. The preparation of the condensed consolidated interim financial statements requires management to make assumptions and estimates that have an impact on the balance sheet values and items of the statement of comprehensive income in the current financial period. In certain circumstances, the actual values may diverge from these estimates.

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the consolidated annual financial statements. No new standards, interpretations and amendments to published standards, which are applicable to the Group and valid since January 1, 2017, have been applied in these condensed consolidated interim financial statements.

The following new standards were approved, but will only be applicable for the Group prospectively and were not early adopted in these condensed consolidated interim financial statements:

- IFRS 7 (effective January 1, 2018) – Financial instruments – Disclosure – Additional disclosures on transition from IAS 39 to IFRS 9
- IFRS 9 (effective January 1, 2018) – Financial instruments
- IFRS 15 (effective January 1, 2018) – Revenue from contracts with customers
- IFRS 16 (effective January 1, 2019) – Leases

The Group assessed the potential impact of the above mentioned new standards. Based on the analysis the Group concludes that these new standards have no material impact on the Group's accounting policies and overall results and financial position.

3. Financial risk management

Currency risk

The Group holds assets denominated in currencies other than the Swiss franc, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. Depending on the market situation the Group uses foreign currency options and/or forward contracts to reduce the currency risk.

The following exchange rates have been used for the preparation of these condensed consolidated interim financial statements:

Currency	06/30/2017	12/31/2016
USD	0.95830	1.02000
EUR	1.09468	1.06725
DKK	14.72380	14.40350
SEK	11.36860	11.19630

Fair values

The following table presents the Group's assets that are measured at fair value (in CHF 1 000):

2017/06/30	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Listed shares	3 327 222	–	–	3 327 222
– Derivative instruments	–	5 412	–	5 412
Total assets	3 327 222	5 412	–	3 332 634
2016/12/31				
Assets				
Securities at fair value through profit or loss				
– Listed shares	3 201 135	–	–	3 201 135
– Derivative instruments	–	4 721	–	4 721
Total assets	3 201 135	4 721	–	3 205 856

At June 30, 2017, and December 31, 2016, BB Biotech AG holds no level 3 instruments.

For assets and liabilities carried at amortised cost, their carrying values are a reasonable approximation of fair value.

4. Financial assets

Marketable securities

Marketable securities comprise the following:

Company	Number 12/31/2016	Change	Number 06/30/2017	Market price in original currency 06/30/2017	Valuation CHF mn 06/30/2017	Valuation CHF mn 12/31/2016	
Incyte	3 879 822	(365 000)	3 514 822	USD	125.91	424.1	396.8
Celgene	3 459 298	(210 000)	3 249 298	USD	129.87	404.4	408.4
Ionis Pharmaceuticals	6 913 172	440 923	7 354 095	USD	50.87	358.5	337.3
Radius Health	4 360 399	678 400	5 038 799	USD	45.23	218.4	169.1
Gilead	2 774 596	–	2 774 596	USD	70.78	188.2	202.7
Vertex Pharmaceuticals	1 415 445	60 000	1 475 445	USD	128.87	182.2	106.4
Alexion Pharmaceuticals	1 229 428	125 000	1 354 428	USD	121.67	157.9	153.4
Neurocrine Biosciences	3 151 552	295 000	3 446 552	USD	46.00	151.9	124.4
Agios Pharmaceuticals	2 809 528	60 000	2 869 528	USD	51.45	141.5	119.6
Novo Nordisk	3 085 852	161 746	3 247 598	DKK	278.80	133.3	113.2
Tesaro	974 582	(96 592)	877 990	USD	139.86	117.7	133.7
Halozyme Therapeutics	7 599 832	665 472	8 265 304	USD	12.82	101.5	76.6
Alnylam Pharmaceuticals	1 191 338	30 000	1 221 338	USD	79.76	93.4	45.5
Regeneron Pharmaceuticals	245 000	(65 000)	180 000	USD	491.14	84.7	91.7
Sage Therapeutics	1 022 439	(115 000)	907 439	USD	79.64	69.3	53.2
Esperion Therapeutics	1 308 542	205 000	1 513 542	USD	46.28	67.1	16.7
Kite Pharma	800 000	(160 000)	640 000	USD	103.67	63.6	36.6
Juno Therapeutics	1 870 000	315 000	2 185 000	USD	29.89	62.6	36.0
MacroGenics	1 920 000	430 112	2 350 112	USD	17.51	39.4	40.0
Myovant Sciences	3 192 835	124 336	3 317 171	USD	11.70	37.2	40.5
AveXis	352 800	50 000	402 800	USD	82.16	31.7	17.2
Intercept Pharmaceuticals	255 719	–	255 719	USD	121.07	29.7	28.3
Swedish Orphan Biovitrum	4 449 334	(2 711 131)	1 738 203	SEK	130.00	25.7	53.2
Intra-Cellular Therapies	1 575 000	575 000	2 150 000	USD	12.42	25.6	24.2
Five Prime Therapeutics	–	777 500	777 500	USD	30.11	22.4	–
Alder Biopharmaceuticals	1 685 150	255 858	1 941 008	USD	11.45	21.3	35.8
Probiodrug	1 050 784	–	1 050 784	EUR	16.70	19.2	20.2
Prothena Corp.	350 000	–	350 000	USD	54.12	18.2	17.6
Idorsia	–	763 882	763 882	CHF	18.10	13.8	–
Novavax	8 330 000	–	8 330 000	USD	1.15	9.2	10.7
Cidara Therapeutics	1 043 824	58 754	1 102 578	USD	7.50	7.9	11.1
Achillion Pharmaceuticals	1 279 340	–	1 279 340	USD	4.59	5.6	5.4
Actelion	1 181 436	(1 181 436)	–	CHF	n.a.	–	260.5
Puma Biotechnology	241 991	(241 991)	–	USD	n.a.	–	7.6
PTC Therapeutics	682 912	(682 912)	–	USD	n.a.	–	7.6
Listed shares						3 327.2	3 201.2
Total shares						3 327.2	3 201.2
Radius Health, warrants, USD 14, 04/23/2018	107 114	–	107 114	USD	31.44	3.2	2.8
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD	31.94	2.2	1.9
Merck & Co Inc contingent value rights – ex Trius/Cubist	545 927	(545 927)	–	USD	n.a.	–	–
Total derivative instruments						5.4	4.7
Total securities at fair value through profit or loss						3 332.6	3 205.9

The changes in value of securities at fair value through profit or loss by investment category are as follows (in CHF 1 000):

	Listed shares	Derivative instruments	Total
Opening balance as at 01/01/2016 at fair values	4 109 821	8 808	4 118 629
Purchases	379 793	–	379 793
Sales	(518 859)	–	(518 859)
Realized gains	119 314	–	119 314
Realized losses	(116 649)	–	(116 649)
Unrealized gains	184 048	–	184 048
Unrealized losses	(956 333)	(4 087)	(960 420)
Net gains/(losses) from securities	(769 620)	(4 087)	(773 707)
Closing balance as at 12/31/2016 at fair values	3 201 135	4 721	3 205 856
Opening balance as at 01/01/2017 at fair values	3 201 135	4 721	3 205 856
Purchases	232 793	–	232 793
Sales	(601 828)	–	(601 828)
Realized gains	120 742	–	120 742
Unrealized gains	456 698	691	457 389
Unrealized losses	(82 318)	–	(82 318)
Net gains/(losses) from securities	495 122	691	495 813
Closing balance as at 06/30/2017 at fair values	3 327 222	5 412	3 332 634

5. Short-term borrowings from banks

At June 30, 2017, there is no short-term loan outstanding (December 31, 2016: CHF 205 mn at 0.40% p.a.).

6. Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (December 31, 2016: 55.4 mn) with a par value of CHF 0.20 each (December 31, 2016: CHF 0.20).

At the General Shareholders' Meeting held March 17, 2016, a resolution was approved to reduce the Company's share capital by CHF 770 000 to a level of CHF 11 080 000. On July 12, 2016, 3 850 000 registered shares at a par value of CHF 770 000 were withdrawn from the commercial register, the capital reduction has thus been concluded.

In addition, the General Shareholders' Meeting held March 17, 2016, has approved a share buy-back program, whereby up to 5 540 000 shares may be repurchased by the Company. Until June 30, 2017, no shares had been repurchased under this share buy-back program.

From January 1, 2017, through June 30, 2017, 205 262 shares were purchased at an average price of CHF 56.76 and 220 977 shares were sold at an average price of CHF 56.21 (01/01–06/30/2016: Purchase of 993 849 shares at an average price of CHF 47.82/Sale of 427 576 shares at an average price of CHF 49.25). The five-for-one share split as at March 29, 2016, is accounted for in these values. At June 30, 2017, BB Biotech AG holds no own shares (December 31, 2016: 15 715 shares).

7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–06/30/2017	01/01–06/30/2016
Fund manager		
– Management fees (incl. VAT)	17 041	15 641
Personnel		
– Board of Directors remuneration	480	514
– Wages and salaries	27	27
– Social insurance contributions and duties	27	28
	17 575	16 210

The remuneration model of BB Biotech AG is determined by the Board of Directors. Since 2014 the remuneration paid to the asset manager is based upon a 1.1% all-in fee on the average market capitalization without any additional fixed or performance-based elements of compensation. The compensation of the Board of Directors consists since 2014 of a fixed compensation in the amount of CHF 910 per annum (excluding social insurance contributions and duties).

At the General Shareholders' Meeting held March 19, 2014, the variable, share based remuneration of the Board of Directors for the business year 2013 was approved. Therefore, the vesting period of the performance based remuneration ended on March 18, 2017. During the three-year vesting period all performance targets were met. Therefore, 18 445 shares were due. The payment in lieu was carried out in treasury shares on April 24, 2017. In the current period, CHF 25 (01/01/–06/30/2016: CHF 59) have been recognized for equity compensation plans.

8. Segment information

(in CHF 1 000)

The Group has only one business segment, namely the holding of investments in companies active in the biotechnology industry.

The geographical analysis of the operating income before tax is as follows – all income from financial assets are attributed to a country based on the domiciliation of the issuer of the instrument:

Operating income before tax	01/01/–06/30/2017	01/01/–06/30/2016
USA	406 672	(1 149 997)
Switzerland	65 138	47 028
Denmark	18 239	(11 495)
Sweden	10 965	(20 601)
Ireland	591	(11 561)
Germany	(1 005)	(7 153)
Great Britain	(4 739)	–
Curaçao	(17 459)	(16 140)
	478 402	(1 169 919)

9. Assets pledged

At June 30, 2017, the securities in the amount of CHF 2 768.1 mn (December 31, 2016: CHF 2 695.9 mn) are a collateral for a credit line of CHF 400 mn (December 31, 2016: CHF 400 mn). At June 30, 2017, there is no short-term loan outstanding (December 31, 2016: CHF 205 mn).

10. Related party transactions

Detailed information regarding the remuneration model for the Board of Directors and the asset manager are mentioned under note 7, «Administrative expenses».

11. Commitments, contingencies and other off-balance sheet transactions

The Group had no commitments or other off-balance sheet transactions open at June 30, 2017 (December 31, 2016: none).

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. The Board of Directors concludes that as at June 30, 2017, no proceedings existed which could have any material effect on the financial position of the Group (December 31, 2016: none).

12. Significant shareholders

The Board of Directors is not aware of any major shareholder with a holding exceeding 3% of all votes as at June 30, 2017 and December 31, 2016.

13. Subsequent events

There have been no events subsequent to June 30, 2017, which would affect the condensed consolidated interim financial statements.



Report on the Review
of condensed consolidated interim financial statements
to the Board of Directors of
BB Biotech AG
Schaffhausen

Introduction

We have reviewed the condensed consolidated interim financial statements (balance sheet, statement of comprehensive income, statement of cash flow, statement of changes in equity and selected explanatory notes, pages 8 to 16) of BB Biotech AG for the period ended 30 June 2017. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard 34 «Interim Financial Reporting» and article 14 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, «Review of interim financial information performed by the independent auditor of the entity». A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 «Interim Financial Reporting» and article 14 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange.

PricewaterhouseCoopers AG

Daniel Pajer
Audit expert
Auditor in charge

Stephanie Zaugg
Audit expert

Zürich, 19 July 2017

Company profile

BB Biotech AG acquires holdings in companies in the biotechnology growth market and is currently one of the world's largest investors in the sector. The focus of the holdings is on quoted companies that are concentrating on the development and marketing of innovative medicines. For the selection of holdings, BB Biotech AG relies on fundamental analysis by physicians and molecular biologists. The Board of Directors has many years of industrial and scientific experience.

Official listing and share structure as at June 30, 2017

Foundation:	November 9, 1993; Schaffhausen, Switzerland
Issue price adj. November 15, 1993:	CHF 4.752
Official listing:	December 27, 1993 in Switzerland; December 10, 1997 in Germany; October 19, 2000 in Italy
Share structure:	CHF 11.08 mn nominal, 55 400 000 registered shares with a par value of CHF 0.20 each
Shareholders, free float:	Institutional and private investors, 100.0% free float
Security number Switzerland:	3 838 999
Security number in Germany and Italy:	AoNFN3
ISIN:	CH0038389992

Shareholder information

The Company publishes its net asset value daily via the major stock market information services and on its website www.bbbiotech.com. The portfolio composition is published at least every three months within quarterly reports.

Quotes and reports

NAV:	in CHF	– Datastream: S:BINA – Reuters: BABB – Telekurs: BIO resp. 85, BB1 – (Investdata) – Finanz & Wirtschaft (CH)	in EUR	– Datastream: D:BBNA – Reuters: BABB
Stock price:	in CHF (SIX)	– Bloomberg: BION SW Equity – Datastream: S:BIO – Reuters: BION.S – Telekurs: BIO – Finanz & Wirtschaft (CH) – Neue Zürcher Zeitung (CH)	in EUR (Xetra)	– Bloomberg: BBZA GY Equity – Datastream: D:BBZ – Reuters: BION.DE
			in EUR (STAR)	– Bloomberg: BB IM Equity – Datastream: I:BBB – Reuters: BB.MI

Corporate calendar 2017/2018

Interim Report as at September 30, 2017	October 20, 2017, 7.00 AM CET
Portfolio as at December 31, 2017	January 19, 2018, 7.00 AM CET
Annual Report as at December 31, 2017	February 16, 2018, 7.00 AM CET
Annual General Meeting 2018	March 13, 2018
Interim Report as at March 31, 2018	April 20, 2018, 7.00 AM CET
Interim Report as at June 30, 2018	July 20, 2018, 7.00 AM CET
Interim Report as at September 30, 2018	October 19, 2018, 7.00 AM CET

The BB Biotech annual report is published in English. A translated German and Italian version is also available. In case of any deviations the English shall prevail over the German and Italian text.

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*«Biotechnology is the driver of innovation
in medicine. Every second
drug approved today originated from
the laboratory of a biotech company.»*

