Annual Report 2015

BB Biotech

Your investment opportunity

Despite remarkable progress in the research and development of new drugs and treatments in the global healthcare system, many severe diseases still have no real cure to this day. These include various types of cancer and chronic infectious diseases. Demographic transition toward a higher life expectancy and an increasing proportion of elderly people in the population are factors contributing to a rising prevalence of age-related diseases. The result is a massive increase in healthcare spending, which in turn emphasizes the need for efficient and effective medicines. Whereas the strength of pharmaceutical companies tends to lie in the global marketing and sale of medicinal products, biotech companies' biggest asset is their high innovation capabilities. Biotech products target the root causes of disease and in some cases have come up with new therapeutic approaches for diseases that may only have been amenable to symptom control in the past. Another trend favoring the biotech industry is the fact that many big pharma players are facing sharp revenue losses as a result of patent expirations. To fill their product pipelines, they are buying innovative biotech products for which they are prepared to pay high premiums. With increasing numbers of biotech companies, launching drugs on the market and reaching profitability, the industry is maturing steadily and managing to do so without disappointing expectations regarding innovative drug development activities and growth potential. This is what makes the biotech sector an attractive and fundamentally strong, high-growth sector for investors.

Our investment skills

BB Biotech is one of the largest and most experienced biotech investors in Europe and can look back on a track record of more than 20 years. The challenging task of picking the right stocks within the dynamic, constantly changing field of biotechnology is met by BB Biotech's competent Investment Management Team consisting of biochemists, molecular biologists, doctors, and economists. Bringing together scientific and financial professionals facilitates the evaluation of complex issues and ensures a sound assessment of the prospects that drug candidates have as they move through the R&D pipeline and into the market. Drug development entails risks that are difficult to assess for investors with a broader focus. BB Biotech's portfolio managers are supported in their daily work through regular meetings with the highly qualified medical and financial experts on its Board of Directors.

Our investment solution – BB Biotech

BB Biotech invests in carefully screened and selected biotechnology firms with a long-term time horizon. It focuses on companies with products that are already in the marketplace and generating income and on companies with promising drug candidates in advanced stages of development. During the past years a number of new product launches by biotech companies attracted widespread attention and buoyed the entire sector. BB Biotech was able to profit from these developments through its carefully constructed investment portfolio. We expect to see a growing number of launches of innovative products in the coming year and have positioned ourselves accordingly, so BB Biotech can keep up the momentum and generate more value for its shareholders. Besides its investments in large, fast-growing biotech companies, BB Biotech holds numerous interests in smaller biotech companies and provides them with the necessary capital to pursue their research projects.

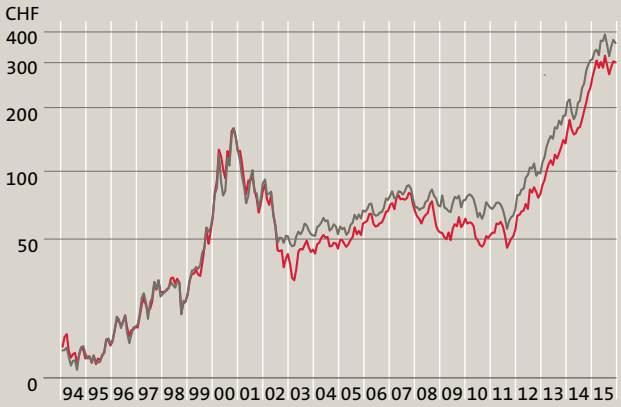
General information

Board of Directors	Dr. Erich Hunziker (Chairman) Dr. Clive A. Meanwell Prof. Dr. Dr. Klaus Strein
Investment Management	Dr. Daniel Koller (Head) Dallas Webb Felicia Flanigan Dr. Stephen Taubenfeld Lydia Haueter Dr. Christian Koch
Portfolio Management	Jan Bootsma Nathalie Isidora-Kwidama Hugo van Neutegem Rudy Le Blanc
Legal structure	Incorporated company
Listing	Swiss stock exchange (BION SW) German stock exchange (BBZA GY) Italian stock exchange (BB IM)
Foundation	November 9, 1993
Share type	Registered shares
Share structure	11.85 mn shares
ISIN	CH0038389992
Security number (CH)	3 838 999
Security number (G/I)	A0NFN3
Investor Relations	Dr. Silvia Schanz Claude Mikkelsen Maria-Grazia Iten-Alderuccio
Media Relations	Tanja Chicherio

Multi-year comparison

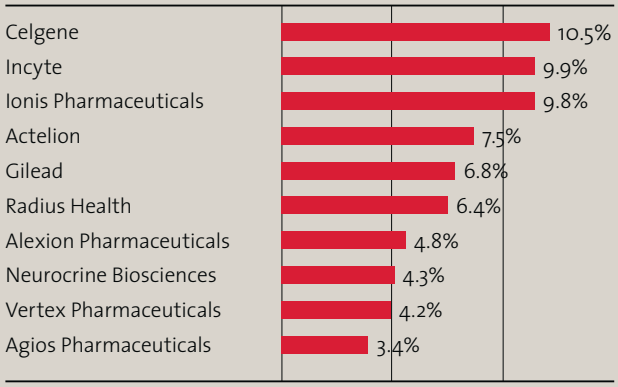
	2015	2014	2013	2012	2011
Market capitalization at the end of the period (in CHF mn)	3 463.2	2 799.0	1 668.5	1 150.5	1 017.0
Net Asset Value at the end of the period (in CHF mn)	3 978.2	3 492.5	2 118.9	1 234.0	1 001.7
Number of shares (in mn)	11.9	11.9	11.9	13.0	16.4
Trading volume (in CHF mn)	6 265.2	3 186.6	1 289.3	948.9	775.9
Profit/(loss) (in CHF mn)	652.8	1 470.1	931.8	367.8	(65.1)
Closing price at the end of the period in CHF	292.25	236.20	140.80	88.50	62.00
Closing price (G) at the end of the period in EUR	269.95	198.00	115.20	72.55	50.98
Closing price (I) at the end of the period in EUR	270.90	196.70	115.40	72.90	51.00
Stock performance (incl. distributions)	28.2%	75.1%	66.0%	42.7%	5.6%
High/low share price in CHF	351.25/232.40	240.80/133.70	146.90/89.50	96.80/62.00	67.40/43.15
High/low share price in EUR	330.10/196.95	199.90/109.10	119.70/73.45	80.24/50.55	55.00/39.30
Premium/(discount) (annual average)	(17.6%)	(22.1%)	(23.1%)	(21.3%)	(19.6%)
Dividend/cash distribution in CHF (*proposal)	14.50*	11.60	7.00	4.50	0.00
Degree of investment (quarterly figures)	101.0%	104.6%	104.5%	109.0%	112.3%
Total Expense Ratio (TER) p.a.	1.13%	1.14%	1.02%	1.69%	1.02%

Share price trend since foundation (in CHF)

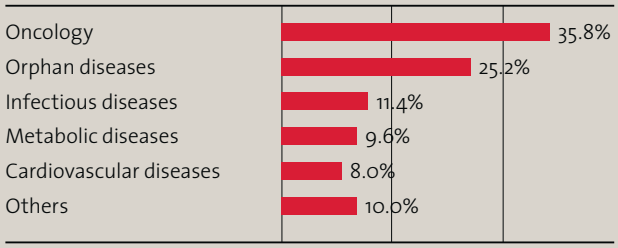


Source: Bloomberg, 12/31/2015

Top 10 positions as of December 31, 2015



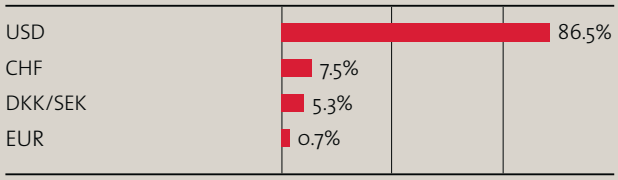
Breakdown by sector as of December 31, 2015



Performance (adjusted for dividends, in local currency)

As of 12/31/2015	1 year	3 years	5 years	11/15/93
Switzerland	+28.2%	+272.6%	+461.4%	+1 694%
Germany	+41.2%	+319.5%	+548.2%	N.A.
Italy	+42.7%	+319.1%	+549.6%	N.A.

Breakdown by currency as of December 31, 2015



A positive but volatile biotech year

Wall Street and European stock markets more or less treaded water in 2015, but the biotech sector as measured by the Nasdaq Biotech Index closed the year with a gain of 11.8%. Strong, sector-specific fundamentals and the compelling valuations of biotech leaders fueled this renewed outperformance by biotech stocks, although 2015 was also a year of heightened volatility in the sector.

BB Biotech outperforms

BB Biotech AG's stock performance gained 28.2% in CHF, 41.2% in EUR and 27.1% in USD on the strength of astute stock picking. Net Asset Value rose by 19.0% in CHF, 31.6% in EUR and 18.0% in USD (including the cash distribution of CHF 11.60 per share). Thanks to its successful investment picks, the Investment Management Team clearly beat the performance of its benchmark, the NBI.

Renewed increase in payout

The Board of Directors is proposing a dividend of CHF 14.50 per share for the 2015 fiscal year, which corresponds to a yield of 5%. This marks another significant year-on-year increase in the dividend. The remaining paid-in capital reserves of CHF 136 mn will be distributed and the remainder will be paid out from retained earnings as an ordinary dividend.

5-for-1 share split

A 5-for-1 share split is being proposed in the light of BB Biotech's strong performance of +461.4% over the past five years and the positive prospects for its portfolio. The number of fully diluted outstanding shares will increase from 11.85 mn to 59.25 mn, less the shares repurchased via a second line of trading.

Positive newsflow to continue in 2016

The main catalysts for the success of the biotech industry are certainly intact. They include the development or commercialization of innovative drugs and the sector's double-digit sales and profit growth. However, volatility is expected to be higher than normal, triggered by diverging central bank monetary policy and election news in the US.

Performance BB Biotech 2015

28.2%

(in CHF)

Performance biotech sector 2015

12.1%

(NBI, in CHF/11.8% in USD)

Performance BB Biotech since inception (11/15/1993)

1 694%

(in CHF)

Net Asset Value as of 12/31/2015

CHF 4.0 bn

(2014: CHF 3.5 bn)

Distribution for fiscal year 2015 (proposed)

CHF 14.50

(2014: CHF 11.60)

Number of portfolio companies

34

(as at 12/31/2015)

Stock split

5-for-1

(Proposal to the Annual General Meeting)

Number of takeouts in portfolio 2015

3

(Synageva, Receptos, Pharmacyclics)

Table of content

Picture: Molecule of a DNA cell

Dear shareholders,

Equity market prices rose in the fourth quarter. Most US and European indices closed the year either unchanged or with mid-single digit gains (in USD). Strong fundamentals of the biotechnology industry sector and attractive valuations of leading biotechnology companies led to another quarter of outperformance compared to broad equity benchmarks.

During the fourth quarter, the Nasdaq Biotech Index (NBI) gained 11.8% in USD, ahead of the S&P 500 Index, which gained 7.0%. Overall, the four quarters for the NBI in 2015 reflected a volatile year including, sequentially: extension of the 2014 rally into Q1 (+13.3%), stagnation in Q2 (+7.5%), correction in Q3 (–17.9%) and a rebound in Q4 (+11.8%), all values in USD.

Consequently, during 2015 the NBI gained 11.8% in USD versus the S&P 500 which ended the year at +1.4% in USD. European indices such as the Euro Stoxx 600 or the DAX gained around 10% in EUR associated with significant weakening of the Euro, and the SMI's total return for 2015 was a slim +1.2% in CHF.

BB Biotech performance for the fourth quarter and full year 2015
The share price of BB Biotech gained 12.6% in CHF, 12.5% in EUR, and 9.6% in USD during the fourth quarter. This contributed positively to BB Biotech's satisfying 2015 total return of 28.2% in CHF, 41.2% in EUR, and 27.1% in USD.

The Net Asset Value (NAV) of BB Biotech gained 14.7% in CHF, 15.0% in EUR, and 11.6% in USD in the fourth quarter. For the full year, the NAV increased by 19.0% in CHF, 31.6% in EUR, and 18.0% in USD. This performance was driven by biotech sector performance, careful and effective stock selection by the management team, and a high level of M&A activity.

BB Biotech AG closed the past year with a profit of CHF 653 million (versus a profit of CHF 1 470 million in the previous year). Following the loss of CHF 575 million in the third quarter, BB Biotech AG rebounded with a profit of CHF 511 million in the fourth quarter of 2015. Equity market volatility in the second half year of 2015 drove highly variable quarterly results.

Proposed distribution of CHF 14.50 per share for the fiscal year 2015
In line with the distribution policy established in 2013, the Board will propose a distribution of CHF 14.50 per share at the Annual General Meeting (AGM) on March 17, 2016, applying a 5% yield to the volume-weighted average share price during December 2015. This represents a substantial dividend increase relative to the previous year. The remaining paid-in capital reserves of around CHF 136 million will be distributed with the difference to be paid out as a regular dividend from retained earnings.

Proposed five-for-one stock split
The strong performance of the last five years, resulting in a total return of +461.4% (in CHF), and the positive prospects for BB Biotech's portfolio allow for the proposed five-for-one stock split. The fully diluted number of authorized shares will increase from 11.85 million shares to 59.25 million shares, excluding shares repurchased on the second trading line.

Portfolio changes in the fourth quarter and throughout 2015
Trading activity in the fourth quarter was significantly below prior quarters. The takeovers with significant impact on our portfolio, Pharmacyclics, Synageva and Receptos, contributed CHF 541 million in cash in the first nine months of 2015. Additionally, the small holdings in Immunogen and both Theravance and Theravance Biopharma were sold during 2015. In contrast, we added eight new small- and mid-cap positions over 2015 and have added more shares in many of our existing positions.

A significant swing in investment levels reflected on the sector performance, from cash neutral at the beginning of the year to around 5% of cash in summer 2015. This was followed by both building up new investments and trading back into existing positions, which led to an investment level of 104% by the end of the year.

At the end of 2015, BB Biotech's portfolio consisted of six core holdings, each above 5%, namely Celgene, Incyte, Ionis Pharmaceuticals (their name changed from Isis), Actelion, Gilead and Radius Health. BB Biotech's investment portfolio comprises 34 positions in all.

In the fourth quarter, two new portfolio holdings were added – Sage Therapeutics and Cidara Therapeutics. Sage is focused on central nervous system (CNS) disorders with its lead pipeline candidate SAGE-547 under development to treat super-refractory status epilepticus. Cidara is developing novel anti-infectives, including their lead product CD101, a novel molecule from the echinocandin class, for the treatment of systemic candida infections.

Progress for the portfolio companies continues
Within the last quarter of 2015, three of BB Biotech's portfolio companies announced product approvals in key markets. Gilead announced the US FDA approval of Genvoya for the treatment of HIV-1-infected patients. Genvoya is the first single-tablet regimen containing tenofovir alafenamide (TAF) in combination with elvitegravir, cobicistat and emtricitabine. TAF as a next generation tenofovir has been proven to match tenofovir's activity against HIV-1 with significantly less side effects. Elocta reached approval status by the European Commission and can be launched in all 28 member states of the EU for treating patients with hemophilia A, both as prophylaxis and on-demand treatment/application. Swedish Orphan Biovitrum will market Elocta in Europe with its development partner Biogen being responsible for the US market. Actelion received the US regulatory nod for launching its novel orally available prostacyclin receptor agonist, Uptravi. Uptravi (Selexipag) will complement Actelion's market leading PAH product offering and allow the company to sustain long-term top- and bottom-line growth.

Disappointingly, Clovis announced following its mid-cycle communication meeting with the US FDA that the previously published and presented 60% response rate for rociletinib, the company's mutant selective EGFR inhibitor for the treatment of non-small cell lung cancer patients, did not hold up and was confirmed to be about half that. With investors questioning both the approvability as well the competitiveness of the drug in the case of approval, we witnessed a significant correction of the company's market capitalization.

As a significant positive, Neurocrine announced positive Phase III data for NBI-98854 in tardive dyskinesia patients. The VMAT2 inhibitor showed a statistically significant reduction in tardive dyskinesia during six weeks of placebo-controlled treatment. The primary endpoint was reached for the abnormal involuntary movement scale (AIMS). The company has applied for a regulatory review and is expecting product approval in late 2016.

Besides the approvals and clinical data read-outs, Celgene announced the settlement of the Revlimid patent litigation with Natco Pharma and Allergan. The settlement terms gives Natco unrestricted access to the US market from January 31, 2026 and with a volume-limited license as of March 2022. The settlement is positive for Celgene effectively defending its patent estate for Revlimid and allowing Celgene to continue its diversification and growth strategy for many years to come.

Outlook

Many important pipeline readouts and potential product approvals are expected among BB Biotech's portfolio holdings in 2016. Merger and acquisition activity made an important contribution to gains in 2015, and the team foresees more of the same ahead. On the other hand, BB Biotech believes that the macroenvironment, including divergent central bank actions and an election year in the US, may add volatility in the coming quarters.

From our portfolio companies we expect important product approvals for 2016:

- Uptravi for treating pulmonary arterial hypertension patients (Actelion) by EMA
- OCA for the treatment of primary biliary cirrhosis (Intercept)
- TAF containing HIV medications (Gilead)
- Sovaldi/Velpatasvir combo for HCV (Gilead)
- Ataluren for DMD patients (PTC Therapeutics)
- Valbenazine for the treatment of tardive dyskinesia patients (Neurocrine)
- EU decision on Abaloparatide for treating osteoporosis (Radius)

Updates in key clinical programs are expected for literally all portfolio holdings. Selecting some, we would highlight the second Phase III study for Elagolix (Neurocrine/AbbVie) for endometriosis, the pivotal studies for the PARP inhibitors Niraparib (Tesaro) and Rucaparib (Clovis) for ovarian cancer, and the RSV vaccine data (Novavax) for elderly populations. Incyte will report data for Jakavi/Jakafi for the treatment of pancreatic cancer, a potential significant expansion of the existing marketed indications of both myelofibrosis (MF) and polycythemia vera (PV). Celgene is expected to report top-line data for Revlimid as an add on treatment to Rituximab for chronic lymphocytic leukemia. Leukemia represents a significant growth opportunity in addition to the current myeloma indication. Ionis will report multiple Phase III readouts in late 2016/early 17 and is evaluating the potential for accelerated approval for its SMN project with its development partner Biogen. Finally, Sage will present top-line Phase III data for SAGE-547 in super-refractory status epilepticus in the second half of 2016.

BB Biotech's portfolio consists of established, attractively valued and profitable companies as well as innovation-focused smaller-/mid-cap companies. The Management Team believes this diversity can capture many of the important value-creating sector milestones in 2016.

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

Dr. Erich Hunziker
Chairman of the Board of Directors

Erich Hunziker has been on the Board of Directors of BB Biotech AG since 2011 and has been elected president in 2013. He previously served as CFO of Roche from 2001 to 2010 with a seat on the Corporate Executive Committee and, from 2005 to 2010, as Deputy Head of the Corporate Executive Committee. From 1983 to 2001 he held various executive positions at Corange, Boehringer Mannheim and, before joining Roche, at Diethelm-Keller-Gruppe, where he ultimately served as CEO. Erich Hunziker earned a Ph.D. in Industrial Engineering from the Swiss Federal Institute of Technology in Zurich. He is also a member of the Boards of Directors of EngMab AG, AB2Bio AG and a member of the Supervisory Board of the IMD Management School, Lausanne.

Dr. Clive Meanwell
Vice-Chairman of the Board of Directors

Dr. Clive A. Meanwell is a member of the Board of Directors of BB Biotech AG since 2003 and member of the Board of Directors and CEO of The Medicines Company, which he established in 1996. From 1995 to 1996 he was a founding partner and managing director of MPM Capital L.P., one of the world's largest dedicated investors in life sciences. He previously held various positions at Hoffmann-La Roche in Basel and Palo Alto, California. His responsibilities included Worldwide Drug Regulatory Affair, clinical leader of product development as well as the launch of Roche/Amgen's Neupogen. Dr. Meanwell received his M.D. and Ph.D. from the University of Birmingham in the UK where he also trained in medical oncology.

Prof. Dr. Dr. Klaus Strein
Member of the Board of Directors

Prof. Dr. Dr. Klaus Strein has been on the Board of Directors of BB Biotech AG since 2013. He was with Roche from 1998 to 2011, during which time he held various responsibilities, including head of pharma research activities in Germany, head of global research activities for therapeutic proteins/monoclonal antibodies, of research and early development activities for low and high molecular weight active ingredients, and of global pharma research. From 1979 to 1998 he served in various positions at Boehringer Mannheim. He holds post-graduate degrees in chemistry and medicine from the University of Heidelberg, where he was also appointed Adjunct Professor. He is also a member of the Board of Directors of NovImmune SA and Co-Founder, CEO and Chairman of the Board of EngMab AG.

Outlook

2016 should be another eventful year for BB Biotech. Virtually every holding in the portfolio is expected to report important clinical data, receive regulatory approvals, or both. Moreover, the market uptake of product launches has had a growing impact on biotech companies' operating results in recent years and we expect these growth trends to continue through 2016. The resulting cash flows allow companies to allocate even more resources to their research pipelines and make the move from one-product companies to diversified, profitable high-growth stocks. With equity market volatility returning to normal, we expect more companies to position themselves strategically through expansion of their pipelines and seek to strengthen their position through targeted acquisitions and alliances. Drug pricing is likely to continue to be a much debated topic given a presidential election year in the US. We continue to believe that true innovation will be rewarded with strong pricing power.

Important product launches to drive double-digit industry revenue growth

The focus of investors is finally returning to the new cycles of products and product classes introduced over the past several quarters. With the dynamics of the global hepatitis C virus market changing from steep adoption and increasing peak sales reached, the recent US prescriptions are indicating a plateau at high levels. Gilead has achieved double-digit billions in yearly sales for its HCV franchise consistent of Sovaldi and Harvoni.

> *The cash flows allow companies to make the move from one-product-companies to diversified, profitable high-growth stocks.*

Whilst US HCV revenues have probably reached a peak in H1 2015, international revenues are expected to continue to grow in the coming years. Other new drugs and drugs classes currently in investors' focus are the PCSK9 products Praluent (Regeneron/Sanofi) and Repatha (Amgen) as well as Orkambi (Vertex) treating a much broader part of the cystic fibrosis patient population than previously addressable with Kalydeco. Of considerable interest for our portfolio is the launch of Uptravi, approved in late December 2015 in the US for treating pulmonary arterial hypertension (PAH) patients, and expected to reaccelerate Actelion's top-line growth. Additionally, both the sector and our portfolio should benefit from more companies having achieved their first product approval – an example of this being Varubi (Tesaro) for the treatment of chemotherapy-induced nausea.

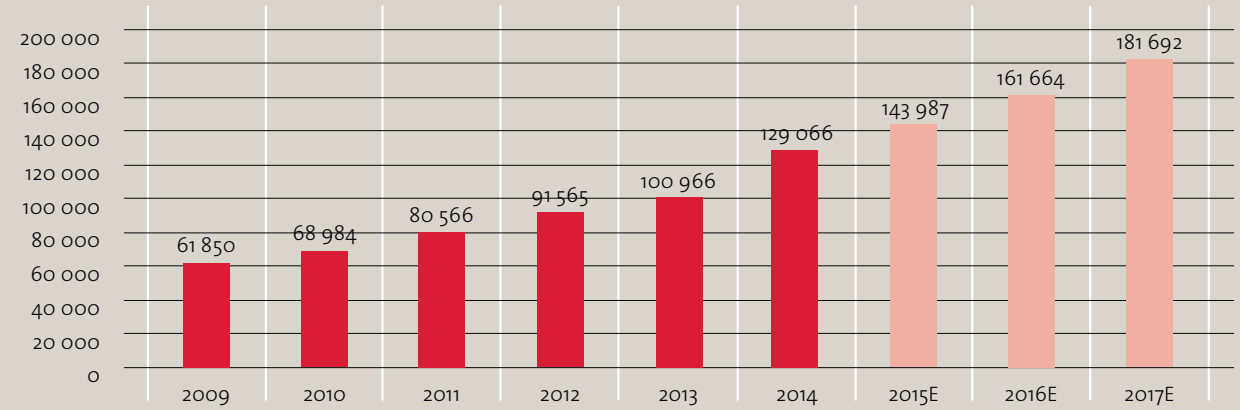
Greater visibility in research pipelines

The biotech industry continues to bring forth large numbers of approved products and highly successful product launches during the last few years. In 2015 alone, 45 new products reached marketing approval, with 21 stemming from biotech companies, 20 from pharmaceutical companies and 4 from specialty pharmaceutical companies. The growing sales allow the biotech companies to stay independent and further invest in broader and more diversified pipelines. Development stage companies investing in new technology platforms such as Ionis Pharmaceuticals and Alnylam Pharmaceuticals are front runners. Updates on pipeline products are also expected from our oncology-focused companies such as the small molecule players Tesaro, Medivation and Incyte, the antibody developing companies such as Celgene, and the T-cell-based therapy companies such as Juno and Kite.

Strategic positioning and consolidation

Celgene has continued to invest heavily in its pipeline diversification with important joint ventures such as T-cell-based technologies with Juno, and in-licensed a PD-L1 inhibitor from AstraZeneca for patients with serious blood cancers, as well as the acquisition of Receptos to further strengthen its inflammatory and immunology division. The company is confident to have built a pipeline that compensates for the Revlimid patent cliff in 2025 and allows it to achieve an attractive top-line growth for the next decade. Current investor focus on Gilead is on the company's capital allocation given the double-digit billion cash flows achieved over the last two years. Expectations are that Gilead will strengthen its pipeline with further acquisitions in the antiviral space such as for new treatments for hepatitis B virus (HBV), in oncology, or the orphan drug space. With recent activity of the large pharmaceutical companies skewed to either go for megamerger or private equity transactions, we expect renewed activity in listed biotechnology companies as soon as markets have returned to less volatile and more predictable market prices. With the demand for innovative products not abating and all larger companies considering acquisitions, we expect the small- and mid-cap companies that are innovation leaders and assets owners to be attractive targets. BB Biotech is well-positioned to capture the upside in such events.

Biotechnology – Global Sales in mn USD



Source: Bellevue Asset Management Research, Bloomberg, June 2015

Continued focus on drug prices and regulatory environment

With the US presidential elections closing in November 2016, the public debate about the US healthcare system, healthcare access, and affordability is expected to remain high. Drug pricing will be debated due to the highest co-pay percentage in the healthcare system as well as ever-increasing drug prices with new innovations priced at a premium over an already high-cost base.

> *We continue to believe, that true innovation will be rewarded with stronger pricing power.*

Although being well-understood and accepted that investing in innovation does require attractive capital returns, recent examples within the specialty pharmaceutical industry have reinforced public pressure. Such companies have acquired older marketed products and implemented massive price increases for these drugs, thus turning the classical "investment and return cycle" upside down. Of even bigger importance than the pricing power is a predictive and well-functioning regulatory environment. The US FDA is currently interacting with the industry to improve the review process. The new PDUFA guidelines, the PDUFA VI, are expected to be approved and implemented in 2017. We are actively monitoring the progress and potential implications of the new guidelines, with expectations that they will either maintain or improve on the PDUFA V. With the US biotechnology industry an important contributor to the US high-tech industry, we expect that innovation will continue to be attractively priced and reimbursed in the US.

Abundant study results and product approvals are acting as catalysts

The ample newsflow we saw in 2015 promises to continue and we are expecting plenty of key data points and approvals again in 2016. Some of the highlights will be the approval and launch of OCA (Intercept) for the treatment of primary biliary cirrhosis, Valbenazine (Neurocrine) for tardive dyskinesia, Rociletinib (Clovis) for non-small cell lung cancer and Abaloparatide (Radius Health) for osteoporosis. Gilead recently launched its new HIV medication tenofovir alafenamide (TAF) as a single pill and is seeking approval in combination with emtricitabine (F/TAF) and rilpivirne/emtricitabine (R/F/TAF) to retain market leadership. We expect key Phase III data readouts to continue impacting the valuations of our holdings. Key readouts include the second Phase III study for Elagolix (Neurocine/Abbvie) for endometriosis, pivotal studies for the PARP inhibitors Niraparib (Tesaror) and Rucaparib (Clovis) for ovarian cancer, and RSV vaccine data (Novavax) for elderly populations. Incyte will report data for Jakavi/Jakafi for the treatment of pancreatic cancer, a potential significant expansion of the existing marketed indications myelofibrosis (MF) and polycythema vera (PV). Celgene is expected to report top-line data for Revlimid as add on treatment to Rituximab for chronic lymphocytic leukemia. Leukemia represents a significant growth opportunity next to the current myeloma indication. Ionis will report multiple Phase III readouts in late 2016/early 17 and is evaluating the potential for accelerated approval for its SMN project with its development partner BiogenIdec. Finally, Sage will present top-line Phase III data for SAGE-547 in super-refractory status epilepticus in the second half of 2016.

BB Biotech Team (f.l.t.r.) Rudy Le Blanc, Claude Mikkelsen, Lydia Haueter, Dallas Webb, Prof. Dr. Dr. Klaus Strein, Dr. Christian Koch, Dr. Erich Hunziker,

Dr. Silvia Schanz, Dr. Clive Meanwell, Michael Hutter, Dr. Stephen Taubenfeld, Felicia Flanigan, Dr. Daniel Koller

Experts of BB Biotech

Bellevue Asset Management Group has managed BB Biotech AG's investment portfolio since the Company was established in 1993. A high degree of specialization and proven ability to create tangible value added as an active portfolio manager are distinguishing attributes of Bellevue Asset Management Group. More than a dozen specialists of the areas Research, Portfolio Management, Investor Relations, Marketing and Finance are working for BB Biotech AG. The team of experienced biotech specialists managed by Dr. Daniel Koller has established an enviable track record in identifying and managing investment opportunities in the biotech sector. Its academic expertise, many years of experience and collaboration, and a broad interest in all areas of medicine, biochemistry, and economics ensure an inspiring and constructive interdisciplinary dialogue within the team and with the Board of Directors as well as with external experts such as physicians and analysts.

Dr. Daniel Koller

Dr. Daniel Koller, Head, joined the Investment Management Team in 2004. His area of specialty is cardiovascular diseases. Before joining the Company he spent four years in the financial sector, initially as an equity analyst at UBS Warburg and then as a private equity investor at equity4life. Dr. Daniel Koller studied biochemistry at the Swiss Federal Institute of Technology (ETH) and earned a doctorate in biotechnology.

Felicia Flanigan

Felicia Flanigan is an expert in infectious diseases and oncology. Before joining the team in 2004 she worked as a research analyst with Adams, Harkness & Hill. Previously she worked at SG Cowen in healthcare research. Felicia Flanigan received her MBA from Suffolk University, Boston, and her BA in communications from Boston College.

Dallas Webb

Dallas Webb's field of specialty is infectious diseases and diabetes, which he has covered for the Investment Management team since 2006. He previously worked for Sterling Financial Investment Group and Stanford Group. His first assignment as a biotech analyst was with Adams, Harkness & Hill. Dallas Webb has an MBA from Texas Christian University in Fort Worth and a BA in Microbiology and Zoology from Louisiana State University.

Dr. Stephen Taubenfeld

Dr. Stephen Taubenfeld joined the Investment Management Team in 2013 as an expert for neurologic and psychiatric diseases. He previously worked as an analyst at Iguana Healthcare Partners, of which he was a co-founder, and as a consultant for MerlinBioMed Group. Dr. Stephen Taubenfeld studied neurosciences at Brown University.

Lydia Haueter, CFA

Lydia Haueter has joined the Investment Management Team in 2011 and works as a research analyst and portfolio manager for the investment company. In 2011, Lydia Haueter completed her Master of Science in Systems biology, with distinction, at the ETH Zurich. She is a CFA charterholder.

Dr. Christian Koch

Dr. Christian Koch joined the Investment Management Team as an analyst and portfolio manager in 2014. Prior to joining BB Biotech, he was a sell-side equity analyst in the Pharma & Biotech department of Bank am Bellevue. Christian Koch has a Master in Bioinformatics from the Goethe University of Frankfurt am Main and the Louis Pasteur University in Strasbourg, and a PhD in Cheminformatics & Computational Drug Design, which he completed at the Institute of Pharmaceutical Sciences of the Swiss Federal Institute of Technology in Zurich.

Dr. Silvia Schanz

Dr. Silvia Schanz is responsible for Investor Relations since 2012. Her prior assignment was as Financial Analyst Global Healthcare with UBS Wealth Management and Vontobel Investment Banking. Dr. Silvia Schanz holds a PhD in Biochemistry from the Swiss Federal Institute of Technology (ETH) Zurich. She is a Certified International Investment Analyst (CIIA).

Claude Mikkelsen

Claude Mikkelsen is responsible for Investor Relations since 2012. Before that, he served as interim Finance Director at Ecron Acunova after his position as Senior Vice President Finance & Investor Relations at Pharmexa. Claude Mikkelsen has a master's degree in Economics and Law from Aalborg University in Denmark and has studied at INSEAD in France.

Maria-Grazia Iten-Alderuccio

Maria-Grazia Iten-Alderuccio is responsible for Investor Relations since 2007. Her prior assignement was as Senior Relationship Manager with Citco Fund Advisors in Zurich, setting up and expanding their relationship-management activities in Zurich. Maria-Grazia Iten-Alderuccio holds a master's degree in Linguistics from the Université de Lausanne and from the Universita` degli Studi Firenze.

Rudy Le Blanc

Rudy Le Blanc has been a Board member and managing director of the BB Biotech branch office in Curaçao since 2013. Prior to that he held various executive positions with the National Laboratory of Curaçao and acted as operational director at a local Curaçao private medical laboratory where he is still a partner. Rudy Le Blanc holds a degree in Medical Science from the Emory University in Atlanta, USA.

Hugo van Neutegem

Hugo van Neutegem has been Chairman of the BB Biotech subsidiaries in Curaçao since 2001. Prior to that he was the managing director of CITCO and had spent eight years with Ernst & Young in the Netherlands and the former Netherlands Antilles. Hugo van Neutegem holds a degree in Law from the University of Leiden in the Netherlands.

Jan Bootsma

Jan Bootsma is active in the management of the investment company since 1995. He is primarily focusing on the European and US markets. Jan Bootsma holds a degree in Economics from HEAO Zwolle, Netherlands.

Nathalie Isidora-Kwidama

Nathalie Isidora-Kwidama has been working as investment manager for nearly 20 years. She has been responsible for the investment company since 2007 when she joined the team.

Michael Hutter

Michael Hutter is responsible for Finance & Compliance since 2008. He previously served as a senior auditing manager at PricewaterhouseCoopers for ten years. Michael Hutter is a Swiss chartered accountant and has a degree in Business Administration from the University of Applied Sciences in Business Administration Zurich.

Tanja Chicherio

Tanja Chicherio joined the Marketing and Communication Team in 2007 and has headed the team since 2013. She previously worked for Ogilvy & Mather as a communications specialist for client advisory units. Tanja Chicherio earned a degree in media and communication sciences with a minor in Business Administration from the University of Zurich (lic. phil. I).

Investment process

1

Idea generation and pre-screening

The investment universe for BB Biotech comprises about 800 companies in the biotech industry worldwide. It includes large caps to microcaps and even later-stage private companies. The Portfolio Management Team monitors this industry actively.

In an initial phase the team identifies disease areas where major progress is being made, technological advances are promising, new mechanisms of action are being discovered or technology platforms that could be leveraged for multiple therapies are being developed. To stay highly informed, the team talks to analysts, conducts interviews with doctors and specialists, attends medical conferences, reviews scientific literature, and visits companies on site.

The team also regularly evaluates the geographical allocation of its investments by visiting countries or areas that show interesting developments. Once promising investment themes (disease area, technology, etc.) are identified, the universe is reduced from 800 companies to about 300.

Investment universe

800

(number of companies)

3

Investment decision and portfolio construction

If the team feels comfortable with an investment idea, the analyst that covers the company prepares a detailed investment proposal. This includes a financial model, a summary of the clinical data the company has presented, the investment rationale with potential upside and downside as well as the proposal of the size of the investment and at what price range the investment should be built up. This proposal is then presented to the Board during the monthly calls, where the Board of Directors and the team engage in an active discussion about the potential investment.

BB Biotech also holds a biannual strategy meeting, where the Board and the Investment Management Team review strategic developments in the biotech industry and meet with the management of the portfolio holdings or of potential investments. Once the Board has approved a proposal, the portfolio managers build the position in a relatively short time, provided that the price levels are within the approved range for investment. This results in a biotech portfolio of around 20 to 35 companies.

Positions in the portfolio

20–35

(number of companies)

2

Due diligence

With the due diligence process the focus switches from "themes" to individual companies and products. Qualitative as well as quantitative screening criteria are applied. Again, doctors and specialists are consulted to learn more about different drug candidates. The objective is to understand the innovation behind a product, to see what benefit the product could provide for the patient, but also if the product makes sense from a health economic standpoint. BB Biotech tries to focus on products that are novel and essentially reduce healthcare costs because of their higher efficiency or better safety.

The time horizon for these investments is mid- to long-term. Another important point is the quality of the management, which is assessed in discussions during company meetings. For about 100 companies the team has created and maintains financial models that help to assess the financial position of the company and get a sense of market opportunities or to review the clinical data companies have produced and presented. At the end of this phase the team discusses the investment cases and selects the most promising ideas.

Financial models

100

(number of companies)

4

Monitoring and risk management

Once the portfolio is established, the monitoring and risk management processes begin. The development of the drug candidates is monitored closely with new clinical data becoming available at medical conferences. The validity of the investment case is continuously assessed as the team regularly meets with management and keeps the financial model updated. If there is a substantial change in the underlying value of a company that requires action, the team will present a proposal to the Board to increase the position, or to exit it, depending on what the reasons for the change are.

Additionally, the portfolio managers may adjust the positions in the portfolio by buying when prices are lower than the Net Asset Value estimated with the help of financial modeling or by selling a part of the position on strength, if a stock looks relatively overvalued. However, the Board is always involved in major changes. The portfolio is also monitored with the help of risk management software.

Number of company meetings

> 100

(in 2015)

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 executives 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.

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 international network of physicians and specialists in individual sub-segments of the biotech industry for further support and advice. The Investment Management Team creates detailed financial models for all portfolio holdings and they must provide compelling arguments that these holdings have the potential to double in value over a four-year time frame. Upside potential is driven in most cases by the power of innovation, the launch of new products for serious or significant illnesses and successful company management.

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.

“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.”

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.

Participations as at December 31, 2015

Company	Number of securities	Change since 12/31/2014	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Celgene	3 609 298	(105 000)	USD	119.76	433.1	10.5%	10.9%	0.5%
Incyte	3 750 406	(301 461)	USD	108.45	407.5	9.9%	10.2%	2.0%
Ionis Pharmaceuticals [1]	6 529 838	553 312	USD	61.93	405.2	9.8%	10.2%	5.4%
Actelion	2 200 673	(88 712)	CHF	139.60	307.2	7.5%	7.7%	1.9%
Gilead	2 774 596	(171 000)	USD	101.19	281.3	6.8%	7.1%	0.2%
Radius Health	4 272 140	1 520 000	USD	61.54	263.4	6.4%	6.6%	10.3%
Alexion Pharmaceuticals	1 034 428	362 000	USD	190.75	197.7	4.8%	5.0%	0.5%
Neurocrine Biosciences	3 121 552	35 000	USD	56.57	176.9	4.3%	4.4%	3.6%
Vertex Pharmaceuticals	1 365 445	11 000	USD	125.83	172.2	4.2%	4.3%	0.6%
Agios Pharmaceuticals	2 159 921	295 000	USD	64.92	140.5	3.4%	3.5%	5.7%
Novo Nordisk	2 243 770	195 000	DKK	399.90	130.8	3.2%	3.3%	0.1%
Medivation [2]	2 581 112	(188 300)	USD	48.34	125.0	3.0%	3.1%	1.6%
Halozyme Therapeutics	7 029 832	204 300	USD	17.33	122.1	3.0%	3.1%	5.5%
Regeneron Pharmaceuticals	205 000	7 000	USD	542.87	111.5	2.7%	2.8%	0.2%
Alnylam Pharmaceuticals	1 132 499	381 211	USD	94.14	106.8	2.6%	2.7%	1.3%
Swedish Orphan Biovitrum	5 409 334	(1 416 415)	SEK	134.60	86.4	2.1%	2.2%	2.0%
Novavax	8 330 000	430 000	USD	8.39	70.0	1.7%	1.8%	3.1%
Tesaro	1 229 582	525 000	USD	52.32	64.5	1.6%	1.6%	3.1%
Cempra	1 991 900	1 216 900	USD	31.13	62.1	1.5%	1.6%	4.5%
Juno Therapeutics	1 305 000	1 305 000	USD	43.97	57.5	1.4%	1.4%	1.3%
Alder Biopharmaceuticals	1 510 150	1 510 150	USD	33.03	50.0	1.2%	1.3%	3.5%
Kite Pharma	750 000	750 000	USD	61.62	46.3	1.1%	1.2%	1.5%
PTC Therapeutics	1 302 912	75 000	USD	32.40	42.3	1.0%	1.1%	3.8%
Sage Therapeutics	708 663	708 663	USD	58.30	41.4	1.0%	1.0%	2.5%
Intercept Pharmaceuticals	255 719	255 719	USD	149.35	38.3	0.9%	1.0%	1.1%
Puma Biotechnology	431 991	(90 000)	USD	78.40	33.9	0.8%	0.9%	1.3%
Probiodrug	1 050 784	(950)	EUR	24.75	28.3	0.7%	0.7%	14.1%
Prothena Corp.	320 000	320 000	USD	68.11	21.8	0.5%	0.5%	1.0%
Infinity Pharmaceuticals	2 700 737	380 000	USD	7.85	21.2	0.5%	0.5%	5.5%
Esperion Therapeutics	908 542	908 542	USD	22.26	20.3	0.5%	0.5%	4.0%
Clovis Oncology	528 188	(90 000)	USD	35.00	18.5	0.4%	0.5%	1.4%
Achillion Pharmaceuticals	1 279 340	200 000	USD	10.79	13.8	0.3%	0.3%	0.9%
Cidara Therapeutics	466 679	466 679	USD	17.16	8.0	0.2%	0.2%	3.4%
Tetraphase Pharmaceuticals	366 203	(935 911)	USD	10.03	3.7	0.1%	0.1%	1.0%
Radius Health warrants, 04/23/2018	107 114	–	USD	48.89	5.2	0.1%	0.1%	
Radius Health warrants, 02/19/2019	71 409	–	USD	49.76	3.6	0.1%	0.1%	
Merck & Co Inc contingent value rights – ex Trius/Cubist	545 927	–	USD	0.00	–	0.0%	0.0%	
Total securities					**4 118.6**	**100.0%**	**103.5%**	
Other assets					25.0		0.6%	
Other payables					(165.5)		(4.2%)	
Net asset value					**3 978.2**		**100.0%**	
BB Biotech registered shares [3]	711 113	143 905			207.8			6.0%

[1] Change of name (formerly Isis Pharmaceuticals)
[2] Share split 2:1 as at September 16, 2015
[3] Correspond to the total of all own shares held including the second trading line

Exchange rates as at 12/31/2015:
USD/CHF: 1.0020; DKK/CHF: 14.58210; EUR/CHF: 1.08774; SEK/CHF: 11.86850

Between the acquisition of Receptos and numerous collaborations over the past couple of years, Celgene has invested a great deal in potentially disruptive therapies and platforms. When should we expect these efforts to begin paying dividends?

In the last two years we have more than doubled the collaborations that we have in our core areas of expertise. Several of these collaborations, such as GED-0301, ozanimod, luspatercept and the IDH platform, are in or have just begun pivotal trials that we expect to see data from in the 2018–2020 time frame. Our 2020 targets include contribution from these late-stage partnered programs as well as continued development of our existing portfolio.

What does the current pullback in biotech valuations mean for M&A dynamics in the sector and do you expect Celgene to continue to play an active role?

We expect lower biotech valuations will increase business development activities throughout the industry. We will continue to play an active role in business development and focus on building the next generation of great assets. We do not focus on a particular valuation but rather on disruptive technologies that complement or enhance our existing portfolio of transformational therapies.

Celgene has broadcast a message of sustained growth through 2030 (i.e. Revlimid genericization). What future trends or specific catalysts give you such confidence?

We are very excited that our existing late-stage and medium-term programs and approved products will give us the ability to sustain the revenue base to 2020 and beyond. The investments we have made internally and externally over this past decade give us the opportunity to continue to accelerate market-leading growth for more than the next decade. Between our internal research and external collaborations, we have effectively invested 30% plus of our revenues into research and development.

Robert J. Hugin, Celgene
Chairman and Chief Executive Officer
Mr. Hugin has been CEO since June 2010 and Chairman since June 2011 and has been with the Company since 1999. Mr. Hugin is past Chairman of the Board of The Pharmaceutical Research and Manufacturers of America and is a member of the Board of Trustees of Princeton University, The Medicines Company, and The Darden School Foundation, University of Virginia. He also serves as a member of the Board of Trustees of Atlantic Health System and of Family Promise, a national non-profit network assisting homeless families. Prior to joining Celgene, Mr. Hugin was a Managing Director with J.P. Morgan & Co. Inc. Mr. Hugin received an AB degree from Princeton University in 1976 and an MBA from the University of Virginia in 1985 and served as a United States Marine Corps infantry officer during the intervening period.

Sector – Multiple Myeloma

Multiple Myeloma is the second most common form of blood cancer that afflicts approximately 200 000 people worldwide. In the US an estimated 50 000 people suffer from the disease, with 24 000 new diagnoses and 11 000 deaths expected in 2015. Europe, as a whole, has comparable patient numbers. It develops from the antibody-producing cells in the blood plasma and is extremely aggressive. These cells produce excessive amounts of an ineffective protein called M-protein and eventually overcrowd the normal cells of the bone marrow. Although considered a chronic disease due to the benefit of newer therapies developed over the past decade, such as Celgene's Revlimid, many patients still develop relapses which can be fatal. Still, Revlimid has brought about a tangible upward trend in patient survival rates. Over the 5-year period from 2006 to 2010, patient survival showed a significant improvement to an estimated near 70% rate compared to the 50% survival rate for the preceding 2001–2005 period. Interestingly, elderly patients have benefited most from this trend.

Positive clinical studies with Revlimid over the past five years have led a broader label to include newly diagnosed multiple myeloma patients in addition to longer duration use in the post-stem cell transplant or maintenance setting. This translates into an earlier and more prolonged benefit for patients than previously thought as well as a larger market opportunity for Revlimid. The latest multiple myeloma therapies include several monoclonal antibodies which could be used both alone and potentially as an adjunct to the now standard Revlimid backbone therapy. Finally, improved diagnostic procedures could assist in quicker identification of those patients who would respond positively to this kind of combined therapy.

Celgene is a global biopharmaceutical company that specializes in oncology and inflammatory diseases. The company has very strong fundamentals and positive long-term prospects based on Revlimid in multiple myeloma, MDS, and other hematological malignancies, Pomalyst in multiple myeloma, Otezla in psoriatic arthritis and psoriasis, and its robust pipeline of early-stage products. We expect Revlimid US revenue to continue to grow more than 15% per year, driven by the combined effects of increased prevalence, penetration, duration of treatment, and price. Recent label expansion into first-line multiple myeloma has created the potential for even more upside to the myeloma franchise which comprises 80% of total company revenues. Further stability of the Revlimid franchise was realized in Q4 of 2015 with the settlement of a patent dispute which essentially protects exclusivity until 2025. The company's 2015 acquisition of Receptos broadened their immunology and inflammation franchise beyond Otezla by gaining access to Ozanimod in Phase III trials for MS and IBD. We expect positive news flow from both Celgene and their partners' products in a variety of novel cancer combinations and settings over the next two to three years. Celgene now appears to be rapidly moving toward immuno-oncology by recently gaining partial rights to anti-PD1-mAb MEDI4736 from AstraZeneca for hematologic malignancies in Phase II as well as announcing a strategic ten-year collaboration with Juno to develop T-cell-based therapies for cancer and autoimmune diseases. The company continues to make strategic deals to bolster its pipeline with promising opportunities.

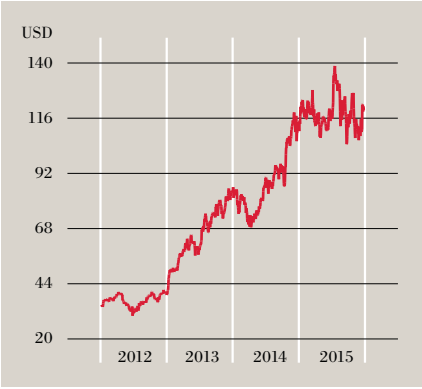
Investment – Celgene

Facts & Figures

Market capitalization 12/31/15: USD 85.2 bn

Revenues 2015: USD 9.3 bn

Net profit 2015: USD 1.6 bn



Source: Bloomberg

Image: Illustration of red blood cells

The successful launch of Jakafi in two hematologic indications, myelofibrosis and polycythemia vera (PV), put the product on track to end 2015 with about USD 1.0 bn in worldwide sales (BB Biotech estimate). How do you intend to expand the market opportunity for the product?

The commercial momentum for Jakafi in the US continues – our initial launch in PV has been successful and we also continue to see growth in myelofibrosis. We anticipate continued growth in these two indications, leading to US peak sales around USD 1.5 bn in myeloproliferative neoplasms. In addition, we have ongoing clinical studies with our JAK inhibitors in oncology and hematology. If some of these ongoing programs are successful, they will create new additional growth opportunities for the JAK franchise.

The launch of PD1 inhibitors from Bristol-Myers Squibb and Merck provides the first wave of products that target the immune system to fight cancer. What is your strategy to participate in this highly exciting field that has generated so much investor interest and could provide another multi-billion-dollar sales opportunity for the Company?

We have a unique leadership position with our IDO1/epacadostat program, which is showing exciting potential in combination with multiple agents within and beyond Incyte's portfolio. IDO1 is a key immuno-regulatory enzyme which is overexpressed in many cancers and decreases effector T-cell function, enhances regulatory T-cell immune suppression, and attenuates antigen presentation. We intend to maintain and grow our leadership position by rapid development decisions for epacadostat, which is a potent, selective, oral inhibitor of IDO1. We expect to initiate a Phase III study of epacadostat for the first-line treatment of advanced melanoma, in combination with Merck's anti-PD-1 antibody pembrolizumab, during the first half of 2016. Additionally, ongoing clinical collaborations such as those we have in place with Merck, Bristol-Myers Squibb, Roche/Genentech and AstraZeneca/MedImmune, enable us to further explore the combinatorial synergies of our medicines in multiple indications.

We also have earlier-stage immunotherapy assets in our portfolio, with small molecules impacting the tumor microenvironment and monoclonal antibodies – including our own anti-PD-1 antibody licensed from Hengrui, which is already in clinical trials. Additionally, we expect an anti-GITR agonist antibody, via our alliance with Agenus, to enter the clinic soon.

The Company's drug discovery engine has been very productive, with multiple new compounds against novel targets entering clinical development in the last 12/18 months. How do you prioritize which products to move forward?

Our coherent portfolio, which includes both immune-therapeutics and targeted therapies, is continually evaluated based on compound quality. Our drug discovery team, made up of biologists allied with world-class medicinal chemists, have created a portfolio which now has more than twice as many molecules in the clinic than at this time two years ago against ten different targets. Our development decisions are driven by the data we generate as projects advance, and by the status of competitive projects from other companies. In addition, we are evaluating the complementarity of our projects with potential for combinations.

Hervé Hoppenot, Incyte
Chairman, President and Chief Executive Officer
Hervé Hoppenot joined Incyte in 2014 as President and CEO, and was appointed Chairman of the Board of Directors in 2015. Prior to joining Incyte, Mr. Hoppenot was the President of Novartis Oncology. Mr. Hoppenot joined Novartis in 2003 and, in addition to his role as President, served as Chief Commercial Officer, Head of Global Product Strategy and Scientific Development, and Senior Vice President, Head of Global Marketing. He started his career in 1983 with Rhône Poulenc, later known as Aventis, where he served in several senior roles of increasing responsibility, including Vice President of Oncology and Head of the US Oncology business unit. Mr. Hoppenot holds a Diploma from ESSEC Business School.

Sector – Immuno-oncology

Immuno-oncology is a new approach in cancer treatment that uses the body's immune system to attack cancer cells. Unlike conventional therapies that target the tumor itself, immuno-oncology therapies make use of the immune system's natural abilities to fight cancer. These drugs may replace existing treatment modalities such as chemotherapy and may also be developed or used in combination with existing therapies.

The body's own T-cells play a key role. Cancer cells abuse these immune checkpoints to deactivate the immune response directed against them. Checkpoint inhibitors intervene at this stage in the process by inhibiting the signal pathways involved – more or less by releasing the brakes on the T-cells – and in that way restore the immune system's ability to attack the tumor. Ipilimumab and PD-1 antibodies are the first wave of checkpoint inhibitors to be launched. These agents have been found to be very effective in responders. The drugs work in only about one in five patients, however, and there is a need for combination regimens to enhance the response rate. Incyte's Epacadostat, an IDO1 inhibitor, might be one such therapy. The initial results look promising so far.

Incyte is focused on hematologic disorders, inflammatory disorders, and cancer. Their marketed product is Jakafi, an oral JAK-2 inhibitor that showed highly positive Phase II results in patients with myelofibrosis, polycythemia vera (PV), and essential thrombocythemia (ET). Phase III data released in 2011 confirmed the strong efficacy and safety profile in myelofibrosis, and the drug was approved in the US in 2011 and in Europe in 2012. In addition, positive Phase III results in patients with PV led to approval for this indication at the end of 2014. Together, we estimate that myelofibrosis and PV represent a USD 2.5+ bn market opportunity in the US and Europe. In 2013, Incyte reported positive data from a Phase II trial with Jakafi in pancreatic cancer patients with cachexia. Indeed, a statistically significant survival benefit was seen in a subgroup of patients prospectively identified as most likely to benefit from JAK inhibition. Incyte started a Phase III trial in this group in H1 of 2014, as well as Phase II trials in other tumor types, and results are expected in 2016. Success in solid tumors could increase the market opportunity for Jakafi dramatically. In November 2009, Novartis licensed ex-US rights to Jakafi in a deal valued at almost USD 1.0 bn. A second-generation JAK-2 inhibitor, Baracitinib, posted positive results from several Phase III trials in rheumatoid arthritis in 2015 and we expect launch into this large market in 2017, with Incyte receiving royalties from partner Eli Lilly. Progress on other compounds in its early-stage pipeline, including IDO inhibitor INCB24360, also continues. Indeed, encouraging early data with the combination of INCB24360 and Merck's PD1 inhibitor Keytruda in multiple tumor types were reported in November 2015.

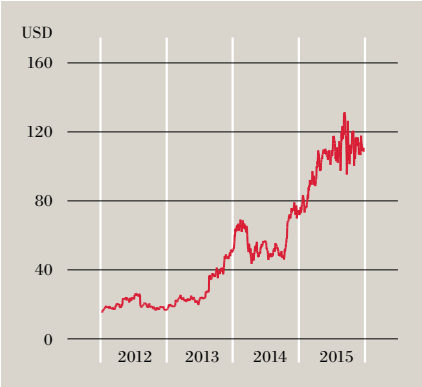
Investment – Incyte

Facts & Figures

Market capitalization 12/31/15: USD 20.5 bn

Revenues 2015: USD 735.2 mn*

Net loss 2015: USD 32.6 mn*



* Estimates; Source: Bloomberg

Image: Illustration of a cervical cancer cell

As a pioneer and leader in RNA therapeutics, explain how your technology provides value to patients, physicians, and payors in the current medical environment?

Our antisense technology is taking its place as a highly valuable, broad platform for drug discovery. We have now demonstrated that our antisense drugs work in nearly all tissues and can be administered by virtually all routes of administration. They can address previously undruggable targets, which results in first-in-class breakthrough drugs that can be priced for the significant value they provide. Importantly, our platform is advancing exponentially with drugs today that are 10- to 30-fold more potent than our earlier-generation drugs, and newer drugs that could be up to 100 times more potent. These advances provide optimized patient convenience with improvements in safety and tolerability along with the flexibility to give very low weekly doses and to dose weekly to semiannually.

Where do you see the Company in the next five years?

Within the next five years I see Ionis with multiple successful drugs on the market that are transforming patient lives. We will remain at the forefront of advances in RNA technology, and continue to dominate the intellectual property space in RNA therapeutics through basic research and innovation. We will have four or more drugs on the market and be advancing a pipeline of novel first-in-class or best-in-class drugs focused on bringing the highest value to patients. We will be profitable and profits will be growing as we put more drugs on the market and sales grow. Our subsidiary, Akcea, will be a successful commercial company with revenues from volanesorsen and hopefully revenue from additional drugs.

Our pipeline will be at near steady state with over 40 drugs in development. It will be comprised primarily of our most advanced, most potent antisense technology (gen 2.5, LICA, LICA+gen 2.5) with drugs designed to work through new antisense mechanisms developed at Ionis. Our drugs will reflect the versatility of the technology and offer patients insulin size low weekly doses, monthly, quarterly, or semiannual dosing and administered through multiple routes. Our drugs will be benefiting patients with severe neurological diseases, cardiovascular diseases, metabolic disease, cancer, and a broad range of other diseases.

We will have other wholly owned or partially owned subsidiaries. We will continue to partner effectively and have three to four strategic partners who continue to broaden the application of our drugs. The core of Ionis will be still comprised of 400 to 500 people and a new generation of great leaders will be ready to assume responsibility for the next phase of the Company's growth. They will be fully committed to maintaining the culture that has been designed and meticulously constructed.

Stanley T. Crooke, M.D., Ph.D., Ionis Pharmaceuticals
Chairman of the Board and Chief Executive Officer

Dr. Crooke is founder, chairman, and chief executive officer of Ionis Pharmaceuticals. During his tenure at Ionis, he has led the scientific development of a new platform for drug discovery, antisense technology and engineered the creation of one of the largest and more advanced development pipelines in the biotechnology industry.

Dr. Crooke received his M.D. and Ph.D. degrees and house staff training at Baylor College of Medicine. He has published more than 450 scientific publications, edited more than 20 books, and has numerous patents.

Dr. Crooke has also been a medical educator and was a professor of pharmacology at Baylor College of Medicine and at the University of Pennsylvania Medical School. He has served as an adjunct professor at UCSD School of Medicine and SDSU.

Sector – Antisense

Antisense and RNAi are technologies that work at the genetic level to control the expression of various genes. Genes are pieces of DNA that encode for the many different proteins necessary for life. Mechanistically, a gene (DNA) is transcribed into mRNA, which is then translated into a protein. However, in certain diseases, too much or too little of a certain protein is produced. Proteins are the molecular machines in our bodies that perform all the tasks that help our cells function, communicate, and live (or die at the correct time point). Thus far, therapies were only able to interfere with existing proteins, but in the case of an abundance of harmful protein, there was no way to decrease its production. Antisense offers the ability to specifically target a single protein (via its genetic code) and dramatically reduce, which can be enough to reverse a disease.

An antisense drug is designed such that it binds to the mRNA encoding the harmful protein and blocks its translation. Thus, the production of the harmful protein is significantly reduced, which can be enough to reverse a disease. Antisense technology has been in development for well over a decade, and is now demonstrating its applicability (in real patients) across a number of severe diseases that have been, until now, untreatable. Ionis is the leading company in the antisense space, while Alnylam dominates the RNAi world.

Ionis Pharmaceuticals is the leader in the space of antisense, and has over 1500 patents around this technology. Antisense allows for the inhibition of protein production at the genetic level. Ionis has over 30 compounds in clinical development, several of which are being developed through partnerships. Ionis and its partner Genzyme received FDA approval of Kynamro (for patients with severely high LDL levels) in early 2013, which represents a validation of the technology platform, in our opinion. However, this drug is not the major value driver, as our focus and investment strategy revolve around the technology platform, which demonstrated significant progress in 2015 with both partnered and proprietary compounds across various severe diseases. Looking forward, 2016/2017 will be transformational years with the readout of three important Phase III programs, multiple Phase II readouts, and additional compounds into the clinic. We believe the value creation within Ionis has just begun to emerge and will continue at a strong pace for the foreseeable future. Thus, Ionis remains an important and truly innovative investment in our portfolio.

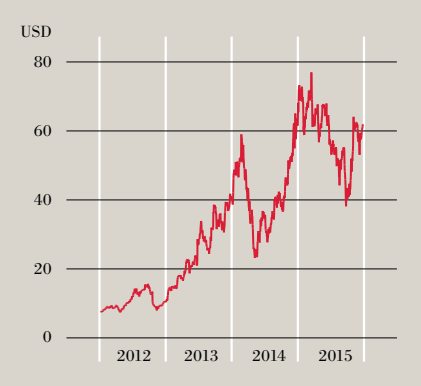
Investment – Ionis Pharmaceuticals

Facts & Figures

Market capitalization 12/31/15: USD 4.9 bn

Revenues 2015: USD 281.6 mn*

Net loss 2015: USD 76.7 mn*



* Estimates; Source: Bloomberg

Image: Illustration of a DNA molecule

Actelion transformed the PAH treatment paradigm years ago with the launch of Tracleer as the first oral drug approved for the disease. Can you explain how you might be changing the standard of care yet again with the upcoming launch of Selexipag (Uptravi)?

Fifteen years ago when we set out to introduce Tracleer to patients, physicians, and nurses, we gave them the first oral drug for the treatment of pulmonary arterial hypertension. While this marked the end of the market license process, it more importantly marked the beginning of what was to become a long-lasting relationship. With the launch of Opsumit we returned to our trusted medical community with a new and improved offering, i.e. long-term benefit with dual- combination therapy. Now we are looking forward to seeing patients and physicians adopting Uptravi into their treatment armamentarium. Over the course of 2015 we have presented the data at numerous medical congresses. Now we are gearing up for the global launch of Uptravi and preparing to potentially shift the treatment of care to triple combination therapy.

As the leading company in PAH, do you think you can further broaden that franchise?

Yes. In the GRIPHON trial one third of patients were on dual background therapy. Hence with Opsumit and Uptravi we have two new agents that can be used in combination to the benefit of patients suffering of pulmonary arterial hypertension. Now with the TRITON trial we are evaluating the efficacy of triple upfront combination therapy. Hence, we are continuing to use our network of specialists to further improve the medical knowledge of our products. This could potentially lead to an earlier use of our medication, but also curtail the disease progression. Furthermore, as part of a life cycle management program, we are also evaluating the effect of Opsumit in the broader area of pulmonary hypertension, such as Eisenmenger's, chronic thrombo-embolic pulmonary hypertension and left ventricle-associated pulmonary hypertension.

What is Actelion's philosophy on value creation for shareholders and will we see more inorganic growth in the future?

We are focused on delivering value to our shareholders by being successful at what we do. We have been successful at developing the PAH market from scratch. We introduced novel modes of action, with beneficial administration and with medical evidence of longer-term outcome. Our approach has been to focus on novel molecules, get them to market and then develop their medical utility further by engaging with the medical community and the regulatory experts to define how the boundaries of medicine can be pushed further. We intend to do the same with all our pipeline assets. While external growth may contribute to value creation in the future, we need to remain focused on financial discipline. Hence, as serendipity may strike us in our pipeline, it may also touch us in seeking value creating assets. This said, I must say that we have all the ingredients in place to transform Actelion into a leading biotechnology company.

Jean Paul Clozel, Actelion
Chief Executive Officer, Member of the Board, Founder
Jean-Paul Clozel is a cardiologist educated in France, with further training in pharmacology and physiology at the University of Montreal, Canada, and the University of California, San Francisco. During his 25-year career in cardiology, he has published widely in peer-reviewed medical and scientific journals. In 2007, he was nominated professor at the Collège de France in Paris, France (Chair of Technical Innovation). At the end of 1997, Jean-Paul founded Actelion. First mainly focusing on Research and Development, he became CEO of the Company to bring Actelion to the public in April 2000. A key achievement of Jean-Paul is building Actelion from a start-up to a multi-billion market capitalization company in a highly competitive and complex sector.

Sector – Pulmonary arterial hypertension (PAH)

PAH is a disorder characterized by increasingly high blood pressure in the pulmonary circulation (lungs). This is triggered by progressive thickening of the pulmonary blood vessels which results in significantly increased right ventricular workload (the heart). PAH patients suffer from poor physical fitness and fatigue, and disease progression leads to heart failure and death. Better knowledge of the mechanisms underlying the disease has resulted in the development of numerous treatment options in the recent decades.

Three drug classes for the treatment of PAH are now available. The first comprises endothelin receptor antagonists (ERAs). These work by inhibiting the effects of the hormone endothelin. PAH patients have elevated levels of this hormone, which stimulates vasoconstriction and in that way contributes to high blood pressure. Members of the second drug class, called PDE-5 inhibitors, indirectly increase the concentration of a vasodilatory substance, cGMP, that additionally reduces the thickening of blood vessel walls. Prostacyclins make up the third class and also have a positive effect on cGMP levels, inducing widening of the blood vessels and decreasing the diameter of the vessel walls.

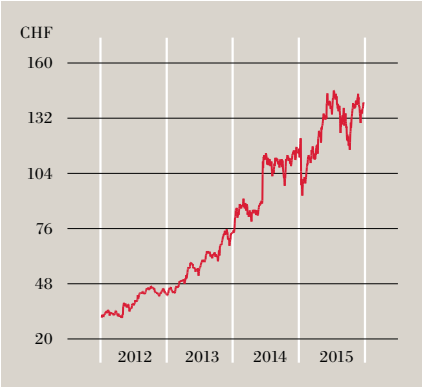
Currently, about 70% of patients are on endothelin receptor agonists like tracleer and only 13% are on prostacyclin analogs, the more effective but far less tolerable drug class. Since PAH is a progressing disease where reversal is not possible, the earlier the progression can be slowed down, the better. Therefore, a more tolerable, effective prostacyclin analog with the convenience of oral administration could move prostaglandin therapy forward in the treatment regime and therefore grow this market considerably.

Actelion is a Swiss biopharmaceutical company focusing on the development of treatments for pulmonary arterial hypertension (PAH). Opsumit, the company's next-generation endothelin receptor antagonist (ERA) first approved in 2013, continues to impress following a market launch in 2015. Opsumit is the successor to Tracleer, the company's blockbuster. Opsumit has excellent data and is more convenient for doctors because it has no liver monitoring requirement. As a result, more doctors than expected are switching their patients from other ERAs (mainly Tracleer) to Opsumit. Shortly before year-end, Actelion announced US FDA approval of Selexipag, a drug shown to reduce the risk of disease progression by 39%. The result is all the more convincing given that most patients were already receiving underlying therapy with an ERA, a PDE5 or both and still showed additional benefit when Selexipag was added to their treatment. Moreover, the drug was effective at a range of doses. Selexipag looks set to be a major addition to Actelion's PAH franchise. As clinicians are aware of the need to start combination treatments sooner, we believe Actelion is in a good position to dominate this still growing market with the Opsumit-Selexipag combination. Following its successes with PAH, Actelion is looking to build an additional franchise in immunology with the S1P1 inhibitor Ponesimod and other successor molecules with an improved mechanism of action. Ponesimod is currently being investigated in various clinical trials, including a Phase III trial in multiple sclerosis.

Investment – Actelion

Facts & Figures

Market capitalization 12/31/15: CHF 14.7 bn
Revenues 2015: CHF 2.0 bn
Net profit 2015: CHF 547.9 mn



Source: Bloomberg

Image: Illustration of the inside of a human vessel

Gilead has been very successful at defending its dominance in the HIV space with the continued introduction of novel combination products that offer additional benefits to patients. How will you maintain this dominance going forward?

Gilead is working to develop next-generation HIV therapies for all individuals who live with the disease, regardless of treatment status or age. Our focus on advancing treatment options resulted in the development of the investigational agent tenofovir alafenamide (TAF), a novel form of the active ingredient in Viread (tenofovir disoproxil fumarate, or TDF). We believe that TAF-containing regimens have the potential to help appropriate HIV patients who face life-long antiretroviral therapy.

In November 2015 the Food and Drug Administration (FDA) approved Genvoya (elvitegravir 150 mg/cobicistat 150 mg/emtricitabine 200 mg/tenofovir alafenamide 10 mg or E/C/F/TAF) for the treatment of HIV-1 infection. Genvoya is the first TAF-based regimen to receive FDA approval.

The Company has revolutionized the treatment of hepatitis C by dramatically improving the standard of care with the introduction of Sovaldi and Harvoni, thus expanding the market and creating a USD 20+ bn annual sales opportunity worldwide. What is your strategy for maximizing this opportunity, particularly in the wake of increased competition and payor pressure?

Data presented at AASLD 2015 consistently showed real-world cure rates with Harvoni that met or exceeded what was predicted by clinical trials. Physicians have real-world experience with SOF in >400 000 patients since the launch of Sovaldi (94% of all treated patients over that time). Real-world data sets have raised the bar for potential competitive products.

What is your strategy for achieving success outside the field of infectious disease?

For oncology, Zydelig (idelalisib), introduced in 2014, is a first-in-class PI3K delta inhibitor. Zydelig provides Gilead a foundation on which to build a portfolio of novel cancer therapies, including regimens that have the potential to increase durable remission rates and survival for a variety of cancers. Gilead also continues to focus on treatment options for people living with serious inflammatory, respiratory, and cardiovascular diseases.

John C. Martin, PhD, Gilead
Chairman and Chief Executive Officer

Dr. Martin joined Gilead Sciences in 1990 and currently serves as Chairman of the Board of Directors and CEO. He served as President and Chief Executive Officer from 1996 through May 2008. Prior to joining Gilead, Dr. Martin held several leadership positions at Bristol-Myers Squibb and Syntex Corporation.

Among many others, Dr. Martin previously served as President of the International Society for Antiviral Research, Chairman of the Board of Directors of BayBio, and Chairman of the Board of Directors of the California Healthcare Institute (CHI).

Dr. Martin holds a Ph.D. in organic chemistry from the University of Chicago and an MBA in marketing from Golden Gate University.

Sector – Hepatitis C

The hepatitis C virus (HCV) causes one of the most common blood-borne virus infections. The WHO estimates that about 130 to 170 million people worldwide are infected with HCV and that 3 to 4 million new cases occur every year. About 75% of infected persons develop chronic infection, which can eventually lead to cirrhosis or liver cancer.

The mainstay of HCV treatment in recent years was pegylated interferon in combination with ribavirin, an antiviral drug, and a so-called protease inhibitor. The latter class of drugs was introduced to the market in 2011 and heralded an improvement in HCV treatment. Treatment of hepatitis C has taken a veritable quantum leap in more recent years though. At the end of 2013 Gilead received marketing approval for Sovaldi, the first drug that specifically blocks the replication mechanism of the hepatitis C virus and results in a nearly 100% cure rate after a brief and well-tolerated oral regimen. In the summer of 2014 Gilead received marketing approval for Harvoni, a successor product that has achieved high cure rates even in difficult-to-treat patients. Harvoni is a combination of Sovaldi and a so-called NS5a inhibitor that likewise interferes with the enzymes needed by the virus to multiply. AbbVie recently announced that it had received approval for its hepatitis C drug but the treatment regimen is more complicated (up to 10 pills a day vs. a once-daily pill with Harvoni) and its general efficacy profile is not as strong. Gilead is therefore expected to defend its large share of the market.

Gilead develops drugs primarily for infectious diseases such as HIV, hepatitis B, and hepatitis C, as well as cancer. The first product, Viread, is a nucleotide reverse transcriptase inhibitor that was launched in 2001 and is now firmly established as a mainstay of treatment for HIV. In 2004, the company launched Truvada, which has become the backbone of therapy for the majority of HIV patients. In July 2006, Gilead launched Atripla, a once-daily fixed-dose tablet that includes Truvada and Bristol-Myers's Sustiva. Atripla has rapidly become the drug of choice in the US and Europe for newly diagnosed HIV patients. The company also launched a fixed-dose combination of Truvada and Tibotec's TMC-278 at the end of 2011 and a fixed-dose combination of Truvada and its proprietary integrase inhibitor in 2012. Most recently, it has begun to launch regimens that include a replacement for Viread with a better long-term safety profile. The introductions of Hepsera and Viread established Gilead as an important player in the treatment of hepatitis B infection. Gilead acquired Pharmasset in early 2012, which put it in the lead in developing all-oral combination therapies for hepatitis C and significantly bolstered the growth of the company. Indeed, sales of its lead products, Sovaldi and Harvoni, reached over USD 14 bn in the first nine months of 2015, and the expected launch of even better regimens in the pipeline will enable continued market dominance. While Gilead also launched GS-1101 for hematologic malignancies during 2014, we expect it to be a small contributor to the revenue base relative to the infectious disease franchise.

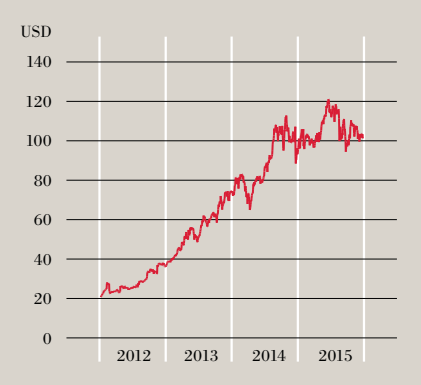
Investment – Gilead

Facts & Figures

Market capitalization 12/31/15: USD 143.9 bn

Revenues 2015: USD 32.6 bn

Net profit 2015: USD 18.1 bn



Source: Bloomberg

Image: Illustration of a virus particle

With Radius on the brink of launching its first drug, please outline why you think Abaloparatide has a superior profile that will make it the drug of choice for patients with severe osteoporosis?

With our product launch rapidly approaching, we frequently hear payors, physicians and patients express their appreciation that our Phase 3 program included Eli Lilly's market-leading osteoporosis drug, Forteo (US)/Forsteo (EU), in our fracture-reduction studies of abaloparatide. Last year at the annual meeting of the American Society of Bone and Mineral research, we reported that abaloparatide also showed a 70% reduction in major osteoporotic fractures versus placebo and a 55% reduction versus Forteo. Since major osteoporotic fractures drive the largest use of healthcare resources and fracture-related costs, these data highlight an important advantage for abaloparatide. Abaloparatide also showed robust improvements in bone mineral density across the skeleton, including the hard-to-treat distal radius, with significant reductions in both vertebral (86%) and nonvertebral (43%) fractures. Just like the market-leading brand, abaloparatide is self-administered at home using an autoinjector.

Each year there are approximately 8 million osteoporotic fractures in the major markets and we believe that investigational drug abaloparatide may provide improved outcomes for patients at risk of a fracture including a rapid onset of action, greater bone mineral density increases at more sites, and reduced fracture risk. Today only a small fraction of these patients are treated with bone-building therapies like Forteo. We believe the profile of abaloparatide will result in increased treatment rates for patients at risk of an osteoporotic fracture.

How do you see the transdermal patch version of abaloparatide creating additional value for both patients and the healthcare system?

We are also developing investigational drug abaloparatide in a short wear time patch formulation. Currently, injectable osteoporosis treatments are primarily prescribed by a relatively small number of specialists, a much larger number of primary care physicians (~5X) use oral osteoporosis therapies. We believe that a patch formulation would offer the opportunity to reach this larger number of physicians resulting in a dramatic expansion of the market with an improvement in the standard of care for more patients at risk of fracture.

Please outline how you see RAD1901 fitting into the breast cancer treatment paradigm, and what value the compound might bring to patients?

The global incidence of breast cancer is estimated to be around 1.8 million case in 2015 and this number is expected to grow to 2 million by 2020. Roughly 70% of these patients have hormone responsive (ER+) breast cancer, and despite the introduction of new treatment options over the past decade, a high rate of treatment resistance across first- and second-line therapies, still exists for patients with metastatic breast cancer. For the newer mechanisms that have been introduced into the treatment of advanced breast cancer, for example Pfizer's Ibrance (a CDK4/6 inhibitor), we expect they will be used in combination with an endocrine antagonist, like the investigational drug RAD1901. We believe that RAD1901, a selective estrogen receptor degrader, has the potential to address the challenges of resistance and the profile suitable to be used in combination with these new agents/mechanisms of actions.

Bob Ward, Radius Health
President and Chief Executive Officer
Robert (Bob) Ward is President and Chief Executive Officer of Radius. He is a global pharmaceutical industry leader managing all stages of drug development, commercialization, and strategic deal-making and partnerships across multiple therapeutic areas. Prior to joining Radius, Mr. Ward was Vice President for Strategy and External Alliances for the New Opportunities iMed of AstraZeneca (AZ). In addition, he served as Co-Chair of the Joint Development Committees in AZ's drug development partnerships with Alcon and Galderma. Mr. Ward received a B.A. in Biology and a B.S. in Physiological Psychology, both from the University of California, Santa Barbara; an M.S. in Management from the New Jersey Institute of Technology; and an M.A. in Immunology from The Johns Hopkins University School of Medicine.

Sector – Osteoporosis

Osteoporosis is a disease characterized by brittle bones, leading to an increased risk of fractures. It is a condition that becomes more common with age and in women after menopause. Bone tissue is very dynamic and is in a constant equilibrium between formation of new bone and degradation of old bone tissue (resorption). When this equilibrium is disturbed and the bone breaks down faster than it is formed this leads to osteoporosis.

The disease is most commonly managed with interventional therapy such as strength training, calcium and vitamin D supplements as well as with medical intervention, most often with bisphosphonates. This drug class works by suppressing bone resorption, thereby slowing down bone turnover and shifting the equilibrium back towards homeostasis. Even though this can stop further degradation of bone mass, it is not enough to increase bone density. To do this, anabolic agents are required and Forteo is the only drug approved from this class.

While newly diagnosed women are treated with bisphosphonates first to stabilize the bone mass loss, more and more doctors are considering starting patients on an anabolic agent to build bone mass and then switching to a bisphosphonate for maintenance.

Radius Health is a company focused on women's health. Its lead product candidate is the subcutaneously delivered abaloparitide, a synthetic human PTHrP analogue. Abaloparitide successfully completed Phase III development for postmenopausal osteoporosis (PMO). The drug has shown superior efficacy to Lilly's subcutaneous Forteo in an 18-month Phase III study. In the study, women experienced early risk reduction for major fractures and showed 55% less fractures than women who received Forteo. The faster onset of action and reduction in fractures in non-vertebral sites like the hip and wrist versus Forteo are highly differentiating and should allow abaloparitide to capture significant market share. Importantly, Radius is developing a transdermal patch formulation (collaboration with 3M), which could greatly enhance the compliance and outcomes in women with this disease. Our focus in 2016 will be on progress made with the transdermal patch delivery system as well as the filing of the Phase III SQ study in Q1 with the FDA. The European Medicines Agency already approved the filing and both approvals are expected in 2016. Furthermore, the company has RAD1901, a selective estrogen receptor degrader (SERD), in development for estrogen-receptor-positive breast cancer. The drug has demonstrated an attractive safety profile in healthy volunteers. First patient data were encouraging but very early. We expect additional Phase I data in 2016 to further elucidate the profile of the compound.

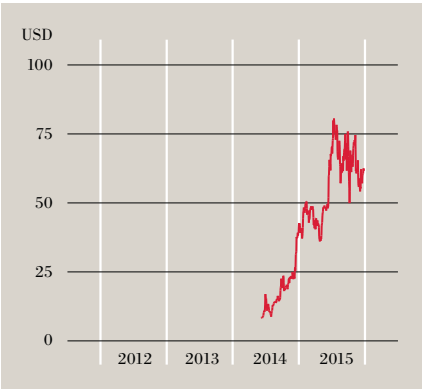
Investment – Radius Health

Facts & Figures

Market capitalization 12/31/15: USD 3.0 bn

Revenues 2015: USD 0.0 mn*

Net loss 2015: USD 95.3 mn*

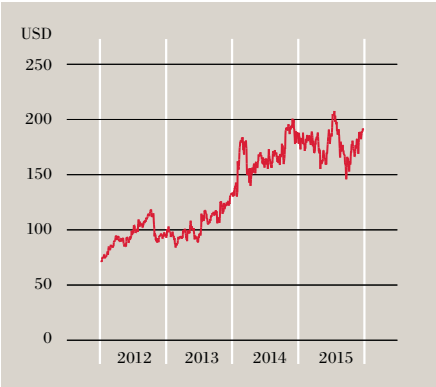


* Estimates; Source: Bloomberg

Image: Illustration of bone structure

Facts & Figures

Market capitalization 12/31/15: USD 43.0 bn
Revenues 2015: USD 2.6 bn
Net profit 2015: USD 144.4 mn

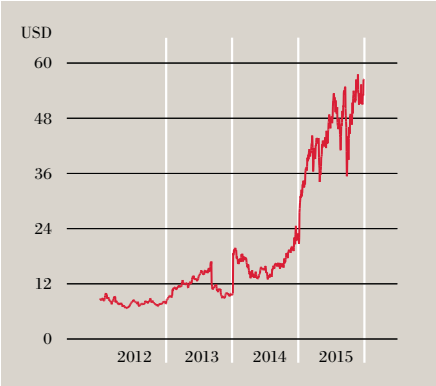


Alexion Pharmaceuticals

Alexion is developing drugs for rare disorders. Its lead product, Soliris, was approved in the US and Europe in 2007 for paroxysmal nocturnal hemoglobinuria (PNH). The launch has gone extremely well to date. We expect launch in other key territories, as well as continued penetration in the US, Europe, and Japan, to enable Soliris sales in PNH to reach about USD 2.0 bn. Atypical hemolytic uremic syndrome (aHUS) is the next indication for which Soliris gained approval in the US and Europe in 2011. We estimate it adds another USD 2.0 bn market opportunity for Soliris. Soliris is also in Phase III trials in myasthenia gravis and neuromyelitis optica. If approved in 2017 as we expect, these indications could add an additional USD 500 mn to 1.0 bn in sales. To the end of diversifying the revenue base away from Soliris, the company received approval of a novel compound for hypophosphatasia, Asfotase Alfa, in Q3 of 2015. In addition, Alexion gained Kanuma for Lysosomal Acid Lipase (LAL) deficiency via its May 2015 acquisition of Synageva for USD 8.4 bn. The product has been recently launched.

Facts & Figures

Market capitalization 12/31/15: USD 3.4 bn
Revenues 2015: USD 23.2 mn*
Net loss 2015: USD 86.8 mn*

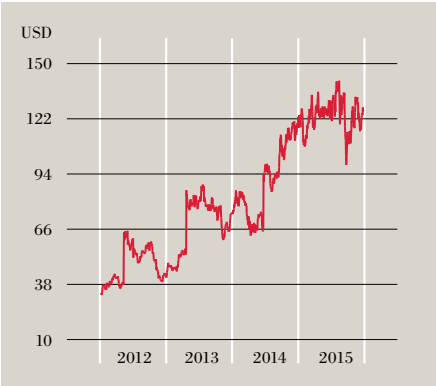


Neurocrine Biosciences

Neurocrine is a biopharmaceutical company with a focus on women's health and CNS disorders. Its lead candidate, Elagolix, is an oral GnRH antagonist in development for two indications, endometriosis and uterine fibroids. Endometriosis is a condition where part of the endometrium grows outside of the uterus leading to severe pain, painful intercourse, and bleeding. Uterine fibroids is a condition that can lead to painful menstruation and excessive bleeding, and potentially surgical removal of the uterus. Partner AbbVie already announced positive Phase III data from the first of two endometriosis studies with the second data set expected in early 2016. AbbVie also announced positive Phase II data in uterine fibroids, and will start Phase III studies in 2016. Neurocrine announced positive Phase III data with its wholly owned product, 854, in tardive dyskinesia and will file for approval in 2016. The company has also initiated a Phase II study in Tourette syndrome with data expected in 2016.

Facts & Figures

Market capitalization 12/31/15: USD 31.0 bn
Revenues 2015: USD 1.0 bn
Net loss 2015: USD 590.0 mn



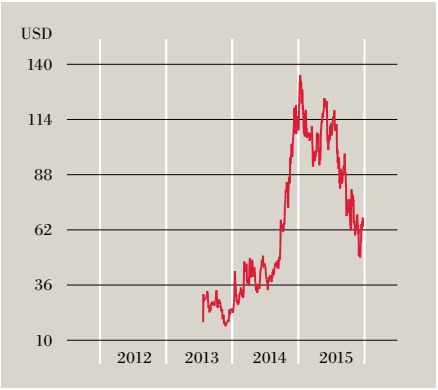
Vertex Pharmaceuticals

Vertex's core focus is cystic fibrosis. CFTR potentiator Kalydeco was launched in the US and Europe in 2012 for a subgroup of patients with cystic fibrosis following highly positive Phase III data. While the initial market opportunity is limited to around 5% of the population, we believe that sales could reach USD 1.0 bn with the inclusion of other small patient populations on the label. Positive Phase III results with the combination of Kalydeco and CFTR corrector VX-809, released in June 2014, should enable Vertex to target the roughly 45% of patients who are homozygous for the most common mutation upon its approval in the US and Europe in 2015. With this label inclusion, we expect sales of Kalydeco and the Kalydeco/VX-809 combination to reach over USD 5.0 bn. The company is also developing correctors that can be combined with Kalydeco and VX-809 to target the remaining patients who are heterozygous for the mutation.

*Estimates; Source: Bloomberg

Facts & Figures

Market capitalization 12/31/15: USD 2.7 bn
Revenues 2015: USD 81.7 mn*
Net loss 2015: USD 96.0 mn*

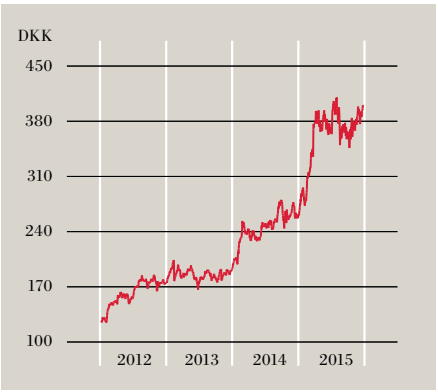


Agios Pharmaceuticals

Agios is utilizing its expertise in cellular metabolism to develop and commercialize drug candidates for cancer and inborn errors of metabolism (IEMs). The approach is validated by the agreement with Celgene for oncology. The two most advanced oncology programs are targeting mutations in the isocitrate dehydrogenase 1 and 2 enzymes, which are implicated in hematologic malignancies and solid tumors that include acute myeloid leukemia (AML), myelodysplastic syndrome (MDS), melanoma, glioma, and chondrosarcoma. Data with IDH2 inhibitor AG-221 were compelling, showing a 40% response rate in relapsed/refractory AML patients. In addition, the responses were durable and the side effect profile was favorable. Given the high response rate and well-defined group of patients expected to benefit, we believe the path to market will be rapid and assume US and Europe approval by early 2018. We estimate the worldwide market opportunity for AG-221 at USD 1.0+ bn for AML alone. Celgene has worldwide rights to AG-221, and Agios will receive milestones and an estimated 15% royalty on sales. Data with IDH1 inhibitor AG-120 in AML were also promising. While results with AG-120 in rare solid tumors were not as compelling as hoped, we believe there is a path to approval and expect launch in 2019. Finally, the company is developing AG-348, a novel compound for the treatment of pyruvate kinase deficiency.

Facts & Figures

Market capitalization 12/31/15: DKK 1018.9 bn
Revenues 2015: DKK 116.3 bn*
Net profit 2015: DKK 39.2 bn*

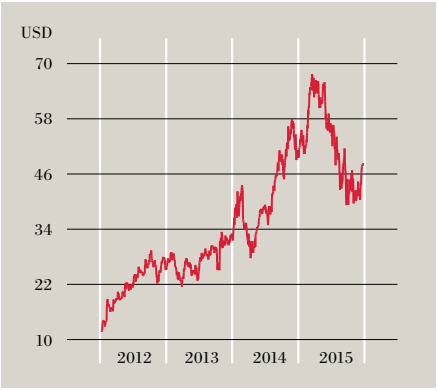


Novo Nordisk

Novo Nordisk is the world's largest producer and distributor of insulin. We expect the company to benefit from the booming world-wide diabetes epidemic as well as from the true innovation and quality of its products. Recently approved Tresiba should help drive Novo Nordisk's long-term growth in the modern insulin space and will launch in the US in early 2016. Another growth driver is Victoza, a GLP-1 analogue with a best-in-class profile. Novo is the world-wide market leader in the GLP-1 drug class. In 2014, an FDA panel voted for approval of a higher dose formulation for obesity, which is now on the market. Additionally, we expect pipeline products, such as the oral GLP-1 compound to garner more attention through 2016. We believe Novo will maintain its position as the world-wide leader in the diabetes market.

Facts & Figures

Market capitalization 12/31/15: USD 7.0 bn
Revenues 2015: USD 728.0 mn*
Net profit 2015: USD 179.8 mn*



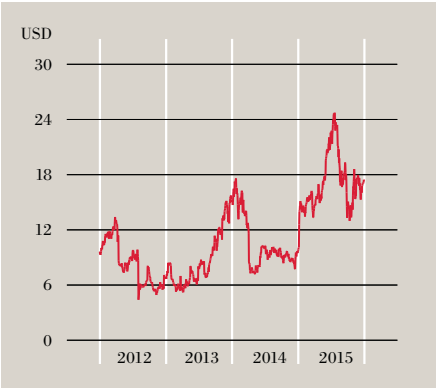
Medivation

Medivation is a biotechnology company which develops and markets oncology products. Its lead product is Xtandi, which was approved in late 2012 for post-chemo castration-resistant prostate cancer (CRPC) and in September 2014 for pre-chemo CRPC, and is partnered (50/50) with Astellas. The real growth driver will be an uptake in the pre-chemo setting (larger market opportunity). Xtandi's primary competition is Johnson & Johnson's Zytiga, which has had a very strong launch and is approved in the pre-chemo setting. However, in its pre-chemo study, Zytiga did not achieve a statistically significant survival benefit, while Xtandi did. This, along with the lack of steroid dosing, lack of food effect, and lack of patient monitoring, should make Xtandi the preferred first-line agent in CRPC. Over the course of 2015, we saw Xtandi take share from Zytiga and continue to make in-roads in the urology segment. Additionally, the company expanded its oncology platform with the acquisition of a PD-1 inhibitor and a PARP inhibitor. In 2016 we will continue to watch Xtandi's performance and its ongoing progress with the pipeline.

* Estimates; Source: Bloomberg

Facts & Figures

Market capitalization 12/31/15: USD 1.7 bn
Revenues 2015: USD 127.6 mn*
Net loss 2015: USD 40.1 mn*

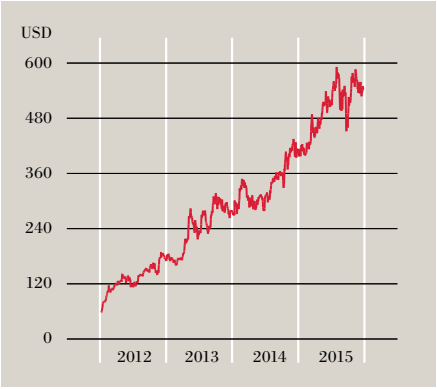


Halozyme Therapeutics

Halozyme Therapeutics is a biopharmaceutical company with two platforms in its business model. The first is based on partnerships with pharmaceutical companies that use its product rHuPH20 to prepare subcutaneous formulations of intravenous therapies. The company receives a steady flow of royalties from this arm. Partnered products include blockbusters like Avastin and Rituxan as well as newer products such as PCSK9 and Daratumumab. The second platform is PegPH20, which is being tested in the treatment of pancreatic cancer and lung cancer. A Phase III study in pancreatic cancer is scheduled to start in the first half of 2016. PegPH20 is also being tested in various combination regimens, including combinations with Merck's Keytruda and Eisai's Eribulin.

Facts & Figures

Market capitalization 12/31/15: USD 56.5 bn
Revenues 2015: USD 4.1 bn
Net profit 2015: USD 636.1 mn

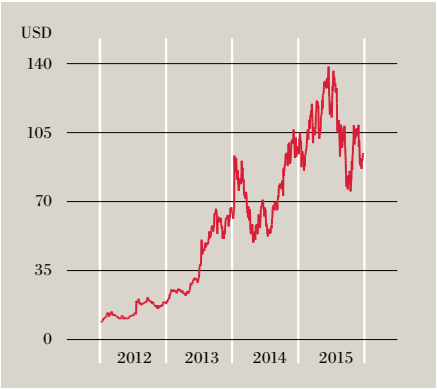


Regeneron Pharmaceuticals

Regeneron is focused on developing monoclonal antibodies, primarily in the ophthalmology, autoimmune, oncology, and cardiovascular spaces. The blockbuster success of Eylea, a VEGF inhibitor indicated for ophthalmic disorders, has been the primary driver of growth for the company. We expect near-term growth to continue in 2016 as Eylea gains broader adoption in wet AMD and expands into a new indication. Eylea is a potent VEGF/PlGF inhibitor and is differentiated to Roche's Lucentis and Avastin due to a less frequent injection schedule as well as recent superior efficacy data from the recent DRCR Protocol T study. Regeneron holds a partnership with Bayer Healthcare for the development, marketing, and sale of Eylea outside of the US. Regeneron also holds a partnership with Sanofi, with whom they have commercialized one product (Zaltrap) and, more importantly, have a deep pipeline of assets the two partners are co-developing. Praluent for hypercholesterolemia was recently approved by the FDA for heterozygous familial hypercholesterolemia or clinical atherosclerotic cardiovascular disease patients who need additional lowering of LDL cholesterol. Sarilumab for rheumatoid arthritis has recently been filed for approval, and Dupilumab is currently in Phase III in atopic dermatitis and asthma. Notably, Regeneron has another 10+ wholly owned antibodies, several of which are currently in clinical development.

Facts & Figures

Market capitalization 12/31/15: USD 6.8 bn
Revenues 2015: USD 44.2 mn*
Net loss 2015: USD 276.7 mn*



Alnylam Pharmaceuticals

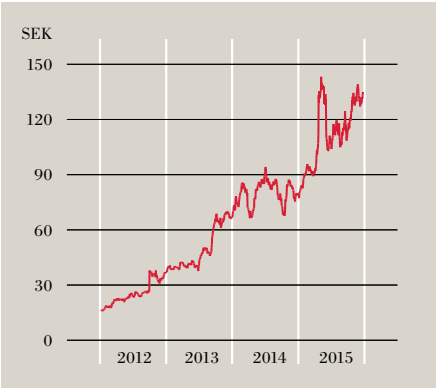
Alnylam Pharmaceuticals is the market leader in RNA interference (RNAi) therapeutics. This treatment approach selectively blocks the synthesis of specific disease-causing proteins. Alnylam has a broad pipeline of candidates, including eight programs that have advanced to the clinical development stage. The furthest along the pipeline are those involving TTR amyloidosis, a rare and serious disease with two clinical manifestations: FAP, mainly affecting the nerves, and FAC, which targets the heart muscle. The company is currently conducting Phase III studies in these two therapeutic indications. Other interesting programs include ALN-AT3, which pursues a revolutionary approach in the treatment of hemophilia. ALN-AS1 is an investigational therapeutic for the treatment of acute intermittent porphyria (AIP), a rare disorder which causes significant suffering in patients with the condition. Initial data from studies in healthy subjects indicates significant suppression of the metabolic products that trigger acute attacks in people with AIP.

*Estimates; Source: Bloomberg

Swedish Orphan Biovitrum

Facts & Figures

Market capitalization 12/31/15: SEK 29.5 bn
Revenues 2015: SEK 3.3 bn*
Net profit 2015: SEK 301.8 mn*

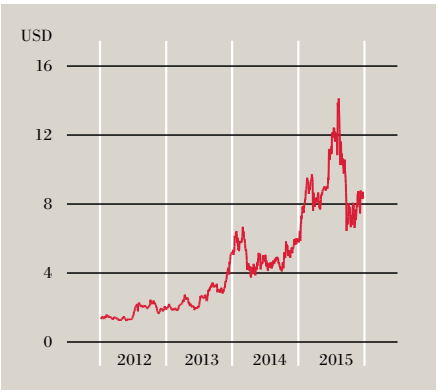


Swedish Orphan Biovitrum is focused on providing and developing specialty and orphan drug pharmaceuticals. The commercial portfolio consists of about 60 marketed products with main therapeutic areas being hematological diseases, autoimmune diseases, hereditary metabolic disorders, and therapeutic oncology. Their growth-driving products are recombinant fusion proteins of Factor IX (rFIXFc) and Factor VIII (rFVIIIFc) designed to exhibit substantially longer half-lives relative to first-generation recombinant proteins. Both long-acting factors are partnered with Biogen and were approved in 2014 in the US – Eloctate (rFVIIIFc) for hemophilia A and Alprolix (rFIXFc) for hemophilia B. Under a cross-royalty agreement, Swedish Orphan Biovitrum will be responsible for the EU markets whereas Biogen sells the product in the US and the rest of the world. Elocta, as it is trademarked in the EU, was just approved toward the end of 2015, while the EU launch of Alprolix is anticipated later this year. In addition, the company's next-generation Factor VIII technology demonstrating even long half-lives was recently added to the collaborative agreement between the two companies and should reach the clinic in 2016. With their high gross margins and low fixed operating costs, Swedish Orphan Biovitrum is well-positioned for years of long-term profitability.

Novavax

Facts & Figures

Market capitalization 12/31/15: USD 1.9 bn
Revenues 2015: USD 38.0 mn*
Net loss 2015: USD 115.1 mn*

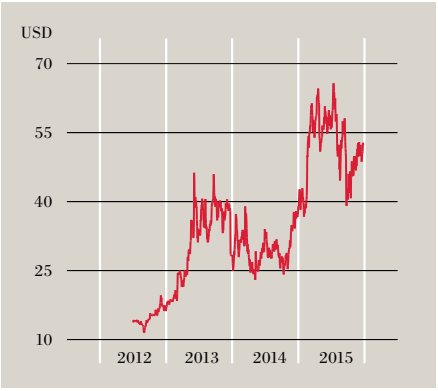


Novavax is a US company specializing in the development of novel vaccines. The most advanced program is a vaccine to prevent RSV infections in infants and older adults. RSV is a respiratory tract infection which may be fatal in infants, older adults, and people with compromised immune systems. In a Phase II study in older adults, Novavax showed that its vaccine results in 44% fewer symptomatic RSV infections and a more than 60% reduction in severe RSV infections. The company recruited older adults for a Phase III study in record time, and we expect data from this study in the second half of 2016. In its Phase II study in pregnant women, Novavax showed that the antibodies are transferred effectively from the mothers to their infants. A corresponding Phase III study has started recruiting pregnant women. As RSV is the number one cause of hospitalization in infants, preventive action may also result in significant savings for healthcare systems. Novavax also has a seasonal influenza vaccine, an Ebola vaccine, and a pandemic influenza vaccine in its pipeline.

Tesaro

Facts & Figures

Market capitalization 12/31/15: USD 1.6 bn
Revenues 2015: USD 4.0 mn*
Net loss 2015: USD 236.9 mn*

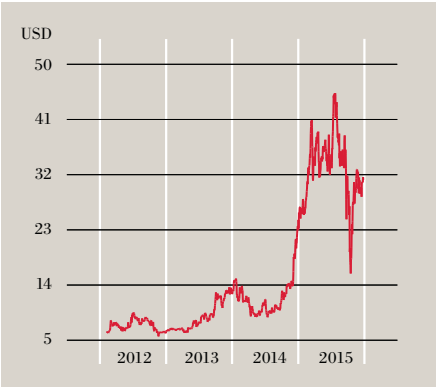


Lead product Rolapitant is a neurokinin-1 (NK-1) receptor antagonist that completed Phase III trials for the prevention of chemotherapy-induced nausea and vomiting (CINV) in 2014. The results were positive and approval in the US was received in September 2015. Niraparib is a PARP inhibitor that has shown promising efficacy in patients with BRCA+ breast and ovarian cancer. A Phase III trial in platinum-sensitive ovarian cancer began in July 2013. A Phase III trial in BRCA+ breast cancer also started in Q4 of 2013. Positive results in ovarian cancer, expected in Q2 of 2016, could lead to launch of Niraparib in H2 of 2017. Meanwhile, the company in-licensed several compounds that gave them an entry into the immuno-oncology space, and clinical trials with those targeting PD1, TIM-3, and LAG-3 are expected to enter clinical trials in 2016.

* Estimates; Source: Bloomberg

Facts & Figures

Market capitalization 12/31/15: USD 1.2 bn
Revenues 2015: USD 24.4 mn*
Net loss 2015: USD 96.0 mn*

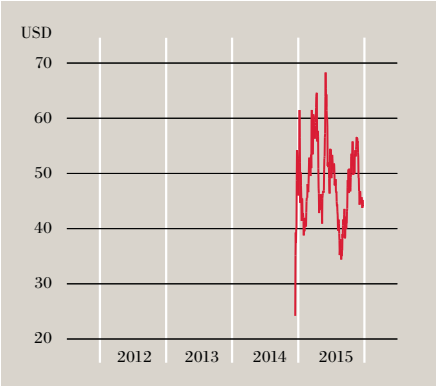


Cempra

Cempra is a biotechnology company focused on treating severe, resistant, and common bacterial infections. Its lead product, solithromycin, is from the macrolide class of antibiotics but is designed to overcome problematic resistance and to be safer than earlier generation macrolides. It has successfully completed two Phase III studies for community acquired bacterial pneumonia (CABP), a serious infection with growing resistance rates. Importantly, the drug can be administered as both an intravenous (IV) and oral formulation, giving physicians and patients more options and convenience, as well as offering significant potential savings to hospitals and reimbursement agencies. We expect the company to file for approval in H1 2016.

Facts & Figures

Market capitalization 12/31/15: USD 3.9 bn
Revenues 2015: USD 19.3 mn*
Net loss 2015: USD 146.9 mn*

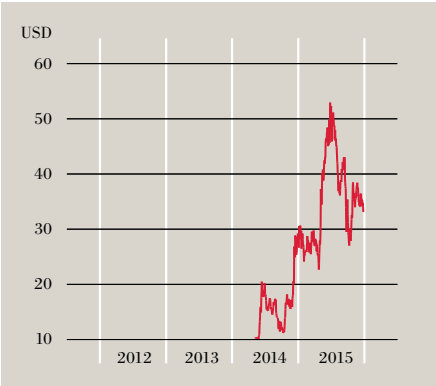


Juno Therapeutics

With its collaborators Memorial Sloan-Kettering Cancer Center, Fred Hutchinson Cancer Research Center, and Seattle Children's Research Institute, Juno is a leader in the development of chimeric antigen receptor (CAR) T-cells for cancer. The lead compound in development is JCAR015, which targets CD19 and is in a pivotal trial for patients with relapsed/refractory acute lymphoblastic leukemia (ALL). Results at ASCO 2015 showed a 87% complete response rate in 39 evaluable adult relapsed/refractory ALL patients, with 81% achieving complete molecular remission. Median survival was 8.5 months, which compares favorably to <3 months seen with current chemotherapy regimens. While side effects can be severe, additional experience with dosing has enabled a better safety margin to be established. We expect the Q3 of 2015 start of a Phase II registration trial that will include 50 adult relapsed/refractory ALL and response rate as the primary endpoint to lead to approval in the US and Europe in Q4 of 2017. Meanwhile, Phase I/II trials with additional CARs targeting solid tumors should begin to yield data in 2016.

Facts & Figures

Market capitalization 12/31/15: USD 1.4 bn
Revenues 2015: USD 0.0 mn*
Net loss 2015: USD 87.8 mn*



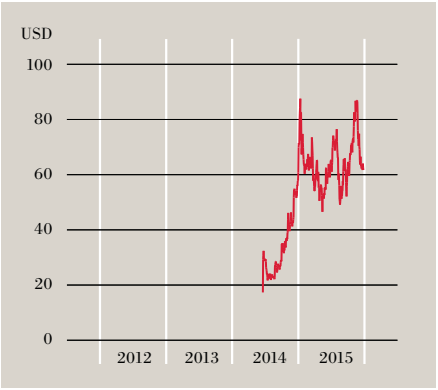
*Estimates; Source: Bloomberg

Alder Biopharmaceuticals

Alder is a clinical-stage company with a differentiated antibody discovery and manufacturing platform to design and select antibodies that have the potential to maximize efficacy in various therapeutic indications including inflammatory and neurological conditions. The company's proprietary manufacturing platform, MabXpress, has potential to streamline the manufacturing process compared with the more traditional biologics manufacturing systems potentially resulting in faster, more scalable, and more cost effective. Their lead and wholly owned clinical candidate, ALD403, is an antibody that inhibits calcitonin gene-related peptide (CGRP), a well-validated molecule shown to trigger migraine attacks. ALD403 is currently undergoing Phase IIb and Phase III clinical testing for the prevention of chronic and frequent episodic migraines, respectively. Earlier Phase IIa data was highly significant and notable for achieving complete elimination of migraines.The company is also planning to initiate a pivotal trial with a subcutaneous, self-administrative formulation of ALD403 this year. Alder's second program, Clazakizumab, previously known as ALD518, is designed to block the pro-inflammatory cytokine IL-6 and has completed Phase IIb clinical trials in both RA and psoriatic arthritis. The company's third program, ALD1613, which targets adrenocorticotropic hormone (ACTH) is currently undergoing IND-enabling preclinical studies with the initiation of clinical studies in Cushing's disease planned for 2016. The company has three additional programs in preclinical stage expected to enter the clinic in the future.

Facts & Figures

Market capitalization 12/31/15: USD 2.4 bn
Revenues 2015: USD 16.8 mn*
Net loss 2015: USD 77.6 mn*

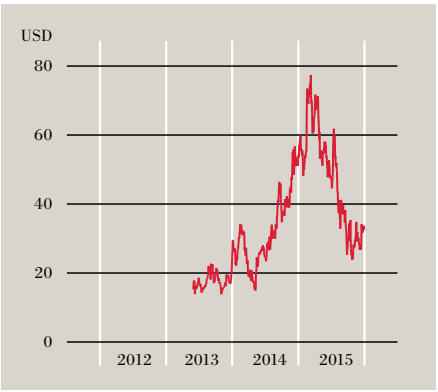


Kite Pharma

With its key collaborator the National Cancer Institute (NCI), Kite Pharma is a leader in the development of chimeric antigen receptor (CAR) T-cells for cancer. The lead compound is KTE-019, a CD19 targeting CAR-T product. A 32-patient Phase I/II trial showed an overall response rate (ORR) of 76% and a complete response (CR) rate of 38% in 29 patients with CD19 positive B-cell malignancies. In the 17 patients who had relapsed/refractory diffuse large B-cell lymphoma (DLBCL) the ORR was 65% and the CR rate was 35%, and the responses were durable. Based on these results, a pivotal trial for KTE-C19 in third-line DLBCL began in Q2 of 2015 and we expect approval in the US and Europe to follow in Q4 of 2017. Promising data with KTE-C19 in other hematologic malignancies have also been shown, and potentially pivotal trials in mantle cell lymphoma and acute lymphoblastic leukemia are getting underway. Finally, the company has multiple T-cell receptor (TCR)-based products that target solid tumors in Phase I/II trials that should generate data in 2016.

Facts & Figures

Market capitalization 12/31/15: USD 905.5 mn
Revenues 2015: USD 37.2 mn*
Net loss 2015: USD 161.9 mn*

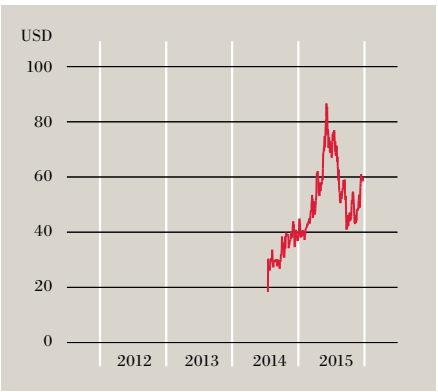


PTC Therapeutics

PTC Therapeutics is a biopharmaceutical company specializing in the development of therapies for rare genetic disorders. The company focuses on using small molecule compounds to intervene in the protein synthesis defect. Translarna (Ataluren) is approved in Europe for the treatment of Duchenne muscular dystrophy (DMD). DMD is a rare X-chromosome-linked disease that is usually restricted to males. Boys with the disease develop progressive loss of muscle mass and in most cases become wheelchair-bound by the time they reach their teens. The greatest challenge in DMD lies in measuring response to treatment. Six-minute walk distance is commonly used as a proxy measure of muscle strength. Translarna failed to demonstrate a statistically significant improvement in this endpoint in a Phase III study. Nonetheless, various functional tests all point in the right direction. As the drug is very safe and has no side effects, we believe it still has a realistic chance of getting FDA approval.

Facts & Figures

Market capitalization 12/31/15: USD 1.2 bn
Revenues 2015: USD 0.0 mn*
Net loss 2015: USD 93.5 mn*



* Estimates; Source: Bloomberg

Sage Therapeutics

Sage Therapeutics is a clinical-stage biopharmaceutical company focused on developing therapies for rare CNS disorders utilizing their GABA-A receptor-targeted proprietary platform. The company's lead program, SAGE-547, is being developed for the treatment of super-refractory status epilepticus, a rare life-threatening condition of a persistent state of seizure affecting 20 000 to 25 000 patients each year in the US. Such patients have failed first-line benzodiazepine therapy as well as second-line anticonvulsive drug therapy and are ultimately placed in a medically induced coma associated with poor neurological outcomes. The company has received fast-track status and an orphan indication for SAGE-547, which is currently in a Phase III trial with data anticipated in 2016. SAGE-547 has also shown early clinical success in post-partum depression in a Phase IIa open-label trial and mixed results in a Phase I exploratory trial in essential tremor. Sage plans to begin a larger, placebo-controlled Phase II postpartum depression study in early 2016. The company is also developing 2nd generation GABA-A receptor-targeted compounds: SAGE-698 for refractory status epilepticus (RSE) and SAGE-217 for other orphan epilepsies, such as Dravet syndrome and Rett syndrome.

Facts & Figures

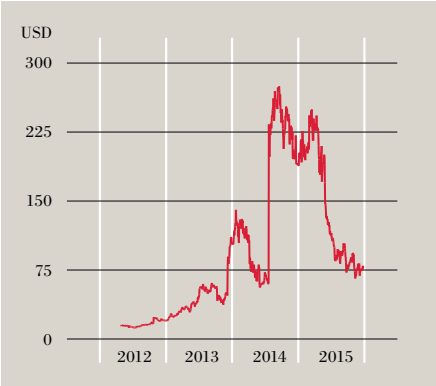
Market capitalization 12/31/15: USD 4.0 bn
Revenues 2015: USD 3.0 mn*
Net loss 2015: USD 215.5 mn*

Intercept Pharmaceuticals

Intercept Pharmaceuticals is a NYC-based biotech company focused on the development of synthetic bile acid analogs for the treatment of cholestatic liver diseases. This disease area primarily includes the highly prevalent non-alcoholic fatty liver disease (NAFLD) and non-alcoholic steatohepatitis (NASH) as well as the orphan diseases primary biliary cirrhosis (PBC) and primary sclerosing cholangitis (PSC). Intercept's lead product is obeticholic acid (OCA), a first-in-class farnesoid X receptor (FXR) agonist. OCA is expected to be approved in the US and Europe in Q2 2016. As a second and commercially far more attractive indication, Intercept also started a pivotal trial for NASH (liver inflammation induced by excessive fat) at the end of last year. Results from this trial are expected to be published in 2018. NASH, being an obesity and metabolic syndrome-linked disease, has the potential to take on epidemic proportions in western and emerging societies over the coming years. It has been projected to be the leading cause of costly liver transplants and liver cancer by 2020. With currently no drug approved, there clearly is an unmet medical and health economic need for new treatments. Intercept's OCA is the drug furthest in development for NASH and the first to show an anti-fibrotic effect in the liver.

Facts & Figures

Market capitalization 12/31/15: USD 2.4 bn
Revenues 2015: USD 0.0 mn*
Net loss 2015: USD 195.0 mn*

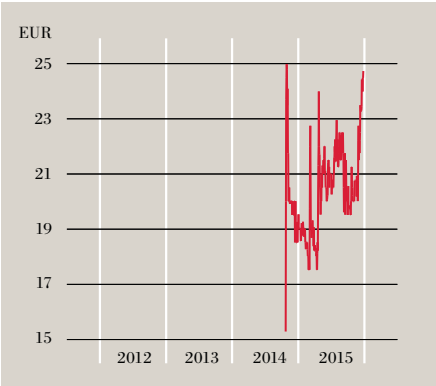


Puma Biotechnology

Puma is focused on acquiring, developing, and commercializing anti-cancer drugs worldwide. The lead compound is Neratinib, a small molecule HER2 receptor antagonist for breast cancer licensed from Pfizer. There are multiple opportunities for Neratinib. Given data that suggest improved efficacy of Neratinib versus Glaxo's approved Tykerb, the company began a Phase III trial that compares Neratinib to Tykerb in patients with Herceptin-refractory HER2+ breast cancer; results are expected in H2 of 2016. In the meantime, data from a Phase II trial in the neoadjuvant setting showed that treatment with Neratinib resulted in a higher response rate than standard Herceptin therapy, and we model approval for this indication in 2017. Finally, Puma announced results from a Phase III trial with Neratinib in the adjuvant setting that, after the publication of positive longer-term efficacy data in December 2015, could lead to the drug's approval in 2017. We believe Puma could generate sales of about USD 750 mn in this indication.

Facts & Figures

Market capitalization 12/31/15: EUR 183.1 mn
Revenues 2015: EUR 0.0 mn*
Net loss 2015: EUR 12.8 mn*



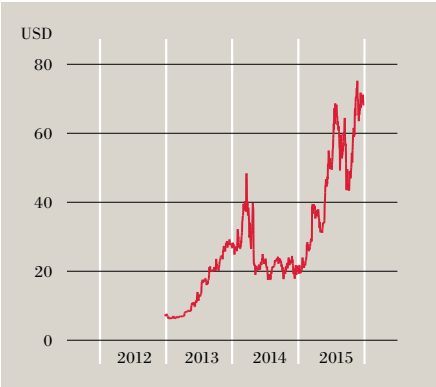
*Estimates; Source: Bloomberg

Probiodrug

Probiodrug is a biotechnology company, located in Halle, Germany, focused on the development of innovative small molecule drugs for the treatment of Alzheimer's disease (AD). The company holds a dominant position in the area of glutaminyl cyclase (QC) inhibition. The role of QC in AD and other inflammatory diseases was discovered, and is comprehensively IP-protected, by Probiodrug. A Phase I study with its lead compound, PQ912, is complete, demonstrating a clean safety profile and initial target inhibition. A Phase II study was initiated in 2015, with data expected in mid-2016. The company was founded in 1997, and pioneered the field of DPP4 inhibition for the treatment of type 2 diabetes. Probiodrug sold its DPP4 franchise to OSI Pharmaceuticals in 2004. Probiodrug's pioneering scientific approach targeting QC in AD has the potential to bring a breakthrough treatment to this therapeutic area of great unmet need.

Facts & Figures

Market capitalization 12/31/15: USD 1.4 bn
Revenues 2015: USD 1.8 mn*
Net loss 2015: USD 80.4 mn*

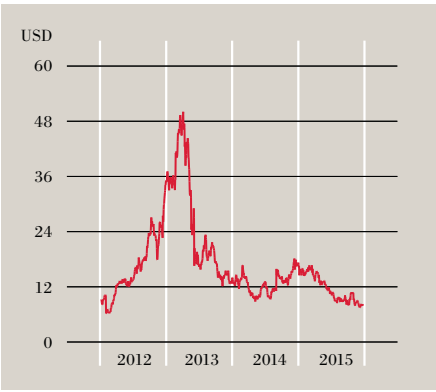


Prothena

Prothena is a biotech company focused on the development of antibody-based immunotherapies. Their lead asset, NEOD001 is in a Ph3 clinical trial in AL-amyloidosis, a devastating disease characterized by the accumulation of protein plaques in various organs. NEOD001 is an antibody designed to bind these plaques and remove them from the organs. Prothena's second asset is in earlier clinical development for the treatment of Parkinson's disease. The company is a spinout of Elan Corporation and their business consists of a substantial portion of Elan's former drug discovery business platform.

Facts & Figures

Market capitalization 12/31/15: USD 415.7 mn
Revenues 2015: USD 113.1 mn*
Net loss 2015: USD 130.0 mn*



Infinity Pharmaceuticals

Lead P13K inhibitor IPI-145 has greater potency than Gilead's GS-1101, which entered the market for chronic lymphocytic leukemia (CLL) and indolent non-Hodgkin's lymphoma (NHL) in Q3 of 2014, as well as additional activity that could lead to greater efficacy. Phase I/II data showed high responses rates in relapsed/refractory CLL, indolent NHL, and mantle cell lymphoma. A Phase III trial in relapsed/refractory CLL started in Q4 of 2013, and we expect data in H2 of 2016. A pivotal trial in refractory indolent NHL is also ongoing and we expect results in H2 of 2016, which could lead to launch for both indications in 2017. Following the September 2014 collaboration with AbbVie in which Infinity could receive up to USD 805 mn in upfront and milestone payments, IPI-145 will be well-positioned to enter combination trials with other exciting compounds for CLL and NHL, including AbbVie's ABT-199.

Facts & Figures

Market capitalization 12/31/15: USD 531.1 mn
Revenues 2015: USD 0.0 mn*
Net loss 2015: USD 51.5 mn*

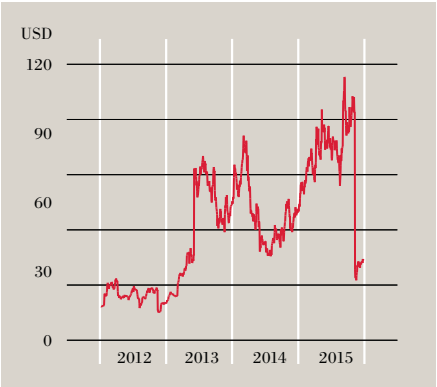
* Estimates; Source: Bloomberg

Esperion Therapeutics

Esperion Therapeutics is a US-based biotech company focused on the development of treatments for cardio-metabolic diseases. ETC-1002 is the main and only clinical asset and has completed multiple clinical trials including five Phase II trials with more than 500 patients. ETC-1002's main target ATP citrate lyase is located upstream of where statins work and ultimately reduces LDL cholesterol by upregulation of the LDL receptor and to a lesser degree has an effect on cholesterol synthesis, fatty acid oxidation and synthesis. ETC-1002 has shown LDL cholesterol reduction levels of up to 30% as monotherapy and up to 50% in combination with ezetimibe. In contrast to the recently approved subcutaneously administered PCSK9 antibodies, ETC-1002 poses a convenient and more economic once-daily oral solution. To date ETC-1002 has not shown any significant safety signals such as statin-typical myalgia. Primary markets for ETC-1002 will be the statin-intolerant population (with up to 10% of statin users) as well as additional treatment for patients whose LDL cholesterol levels are not sufficiently controlled with a statin. Esperion will commence a registrational Phase II trial in H1 2016 and is hoping to file an NDA with the FDA by 2017. The key question is whether interim data will be sufficient (as has usually been the case with hypercholesterolemia trials in the past) to receive ETC-1002 marketing approval at an earlier date in 2018, or whether an approval decision will have to wait until the final trial data has been collected in 2022/23 due to the increasing number of treatment options.

Facts & Figures

Market capitalization 12/31/15: USD 3.5 bn
Revenues 2015: USD 0.0 mn*
Net loss 2015: USD 323.4 mn*

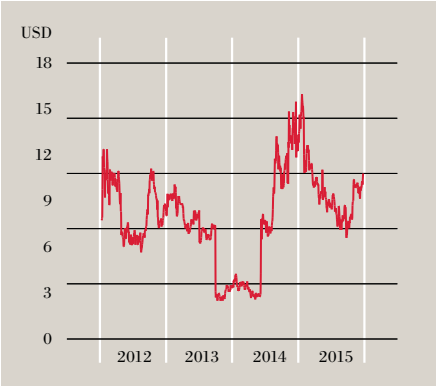


Clovis Oncology

Clovis's two lead cancer compounds are CO-1686 and Rucaparib. The company also licensed FGF/VEGF inhibitor Lucitanib for breast cancer and is developing a cKIT inhibitor for GIST with Array. CO-1686 is an EGFR inhibitor for non-small cell lung cancer (NSCLC) that we believe could play a small role in the estimated 45 000 new patients in the US, Europe, and Japan who are expected to fail Tarceva and Iressa annually. Indeed, recent data showed that the efficacy of the compound does not compare favorably to that of its closest competitor, AstraZeneca's recently approved Tagrisso. This led us to lower our sales assumptions significantly. Rucaparib is a PARP inhibitor with the potential to treat ovarian cancer patients with the BRCA mutation and other DNA repair deficiencies. Data from a potentially pivotal trial is expected in 2016 and launch in this competitive market could follow in 2017.

Facts & Figures

Market capitalization 12/31/15: USD 943.4 mn
Revenues 2015: USD 66.1 mn*
Net loss 2015: USD 13.0 mn*

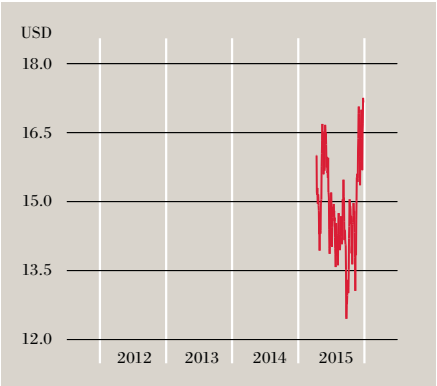


Achillion Pharmaceuticals

Achillion is developing drugs for hepatitis C. The lead compound is ACH-3102, a drug from the NS5A class of inhibitors for which Phase II data have been compelling. In May 2015, Johnson & Johnson (JNJ) licensed all of Achillion's hepatitis C assets for a potential value of USD 1.1 bn and an attractive royalty on sales. We believe the deal is favorable as it gives the company a higher probability of reaching the market with a competitive regimen. Indeed, ACH-3102 is being combined with JNJ's marketed protease inhibitor Olysio and early-stage nucleoside inhibitor in a Phase II trial and we expect data in early 2016. While it is extremely difficult to predict whether this regimen can overcome the high hurdles set by currently available regimens, successful development could give Achillion a place in the USD 20+ bn hepatitis C market.

Facts & Figures

Market capitalization 12/31/15: USD 174.2 mn
Revenues 2015: USD 0.0 mn*
Net loss 2015: USD 32.0 mn*



Cidara Therapeutics

Cidara is a biotechnology company focused on treating severe and resistant microbial infections. Its lead product, CD101 IV for candidemia, is from the echinocandin class of antifungals but may be able to be dosed as a once-weekly infusion, versus daily for the current echinocandins. This would provide the option of treating patients with the best antifungal on an outpatient basis, thus offering significant advantages to both patients and the healthcare system. Initial Phase I data have demonstrated a strong safety profile and confirmed the once-weekly dosing potential. CD101 is also the only echinocandin to be formulated as a topical treatment and will be developed for recurrent vulvovaginal candidiasis. The company will initiate Phase II studies in both indications in 2016. Finally, Cidara is the only company developing an immunotherapy platform for serious infections, with clinical studies to begin in 2016.

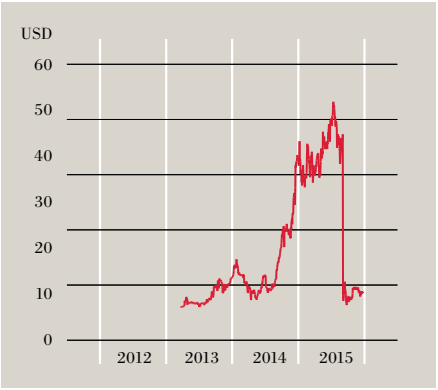
*Estimates; Source: Bloomberg

Facts & Figures

Market capitalization 12/31/15: USD 272.5 mn

Revenues 2015: USD 12.3 mn*

Net loss 2015: USD 79.2 mn*



*Estimates; Source: Bloomberg

Tetraphase Pharmaceuticals

Tetraphase is a biotechnology company focused on treating severe and resistant bacterial infections. Its proprietary platform technology allows the development of novel tetracycline antibiotics that are engineered to overcome drug resistance. Its lead product, eravacycline, successfully completed a Phase III intra-abdominal infection study with its IV formulation. However, it failed in a Phase III urinary tract infection study when using the oral formulation. Tetraphase will meet with the FDA to determine the best path forward in early 2016.

Consolidated financial statements

Consolidated balance sheet as at December 31

(in CHF 1 000)

	Notes	2015	2014
Current assets			
Cash and cash equivalents		21 059	8 968
Receivables from brokers		3 978	–
Securities at fair value through profit or loss	4	4 118 629	3 523 824
Other assets		1	1
		4 143 667	**3 532 793**
Total assets		**4 143 667**	**3 532 793**
Current liabilities			
Short-term borrowings from banks	5	160 000	30 000
Payables to brokers		1 198	6 729
Other short-term liabilities	6	4 068	3 336
Tax liabilities		243	203
		165 509	**40 268**
Total liabilities		**165 509**	**40 268**
Shareholders' equity			
Share capital	7	11 850	11 850
Treasury shares	7	(119 332)	(77 670)
Retained earnings	7	4 085 640	3 558 345
		3 978 158	**3 492 525**
Total liabilities and shareholders' equity		**4 143 667**	**3 532 793**
Net asset value per share in CHF		357.15	309.55

The notes on pages 44 to 55 are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors of BB Biotech AG on February 15, 2016.

Consolidated statement of comprehensive income for the year ended December 31

(in CHF 1 000)

	Notes	2015	2014
Operating income			
Gains from marketable securities	4	690 211	1 492 467
Interest income		1	4
Dividend income		6 647	5 644
Foreign exchange gains net		–	906
Other income		1 089	361
		697 948	**1 499 382**
Operating expenses			
Finance expenses		(179)	(552)
Foreign exchange losses net		(1 334)	–
Administrative expenses	8	(38 299)	(23 494)
Other expenses	9	(5 240)	(5 119)
		(45 052)	**(29 165)**
Operating income before tax	**12**	**652 896**	**1 470 217**
Income taxes	10	(80)	(78)
Net income for the year		**652 816**	**1 470 139**
Total comprehensive income for the year		**652 816**	**1 470 139**
Income per share in CHF	11	58.44	129.80
Diluted income per share in CHF	11	58.42	129.76

The notes on pages 44 to 55 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended December 31

(in CHF 1 000)

	Share capital	Treasury shares	Retained earnings	Total
Balances at January 1, 2013	**13 000**	**(124 174)**	**1 345 179**	**1 234 005**
Cash distribution	–	–	(51 019)	(51 019)
Capital reduction	(1 150)	95 087	(93 937)	–
Trade with treasury shares (incl. change in balance)	–	(28 495)	32 547	4 052
Total comprehensive income for the year	–	–	931 834	931 834
Balances at December 31, 2013	**11 850**	**(57 582)**	**2 164 604**	**2 118 872**
Balances at January 1, 2014	**11 850**	**(57 582)**	**2 164 604**	**2 118 872**
Cash distribution	–	–	(79 429)	(79 429)
Trade with treasury shares (incl. change in balance)	–	(20 088)	2 938	(17 150)
Share-based remuneration	–	–	93	93
Total comprehensive income for the year	–	–	1 470 139	1 470 139
Balances at December 31, 2014	**11 850**	**(77 670)**	**3 558 345**	**3 492 525**
Balances at January 1, 2015	**11 850**	**(77 670)**	**3 558 345**	**3 492 525**
Cash distribution	–	–	(130 079)	(130 079)
Trade with treasury shares (incl. change in balance)	–	(41 662)	4 440	(37 222)
Share-based remuneration	–	–	118	118
Total comprehensive income for the year	–	–	652 816	652 816
Balances at December 31, 2015	**11 850**	**(119 332)**	**4 085 640**	**3 978 158**

The notes on pages 44 to 55 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow for the year ended December 31

(in CHF 1 000)

	Notes	2015	2014
Cash flows from operating activities			
Proceeds from sales of securities	4	1 013 389	819 500
Purchase of securities	4	(925 821)	(676 961)
Dividend receipts		6 647	5 644
Interest receipts		1	4
Interest payments		(179)	(552)
Payments for services		(41 605)	(25 713)
Income taxes paid		(36)	(271)
Total cash flows from operating activities		**52 396**	**121 651**
Cash flows from financing activities			
Cash distribution		(130 079)	(79 429)
Proceeds from sales of treasury shares	7	133 375	80 408
Purchase of treasury shares	7	(172 267)	(98 267)
Borrowing/(Repayment) of bank loans	5	130 000	(60 000)
Total cash flows from financing activities		**(38 971)**	**(157 288)**
Foreign exchange difference		(1 334)	906
Change in cash and cash equivalents		**12 091**	**(34 731)**
Cash and cash equivalents at the beginning of the year		**8 968**	**43 699**
Cash and cash equivalents at the end of the year		**21 059**	**8 968**
Cash and cash equivalents		21 059	8 968
Cash and cash equivalents at the end of the year		**21 059**	**8 968**

The notes on pages 44 to 55 are an integral part of these consolidated 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

General

The consolidated financial statements of the Company and its subsidiary companies (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the provisions of the rules of the SIX Swiss Exchange for Investment Companies. The consolidation is prepared from the financial statements of the Group companies using uniform accounting principles. With the exception of financial assets and liabilities (incl. derivative instruments), which are held at fair value through profit or loss, the financial statements are prepared under the historical cost convention. This requires management to make assumptions and estimates that have an impact on the balance sheet values and items of the income statement in the current financial year. In certain circumstances, the actual values may differ from these estimates.

No new standards, interpretations and amendments to published standards, which are applicable to the Group and valid since January 1, 2015, have been applied in these consolidated financial statements.

The following new or revised standards were approved, but will only be applicable for the Group prospectively and were not early adopted in these consolidated 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 10 (amended, effective January 1, 2016) – Consolidated financial statements (includes IAS 28 and IFRS 12)*
- *IFRS 11 (amended, effective January 1, 2016) – Accounting for acquisitions of interests in joint operations*
- *IFRS 15 (effective January 1, 2018) – Revenue from contracts with customers*
- *IFRS 16 (amended, effective January 1, 2019) – Leases*
- *IAS 1 (amended, effective January 1, 2016) – Presentation of financial statements*
- *IAS 27 (amended, effective January 1, 2016) – Separate financial statements*

The Group assessed the potential impact of the above mentioned new and revised standards. Based on the analysis, except for IFRS 10, the Group concludes that these revised standards have no material impact on the Group's accounting policies and overall results and financial position. The amendment to IFRS 10 does no longer allow entities that meet the definition of an investment entity to consolidate its subsidiaries, which are investment entities themselves. The amended standard requires entities to account for such subsidiaries at fair value through profit or loss. As a result of qualifying as an investment entity, BB Biotech AG will discontinue consolidating its wholly owned subsidiaries and will measure them at fair value through profit or loss starting January 1, 2016. The potential financial impact on equity and total comprehensive income for the future will be immaterial. The only major change will be that treasury shares held by a subsidiary are valued at market value. However, the disclosure within the financial statements and the notes will deviate significantly to the current disclosures.

Basis of consolidation

The consolidated financial statements include the Company and the subsidiary companies which are controlled by it. Control is the ability to influence the financial and operating activities of an entity so as to benefit from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases. The consolidation is performed using the acquisition method. All intercompany transactions and balances with companies included in the consolidation are eliminated. All Group companies have a December 31 year-end.

Foreign currency translation

Based on the economic environment (primary listing, investors, costs and performance measurement) in which the Company and its subsidiaries operate, the consolidated financial statements of the Group are presented in Swiss francs, which is the Group's functional currency. Transactions in foreign currencies are converted at exchange rates as at transaction dates. Assets and liabilities in foreign currencies at year-end are translated at rates of exchange prevailing as at the balance sheet date. Exchange differences are reflected in the statement of income. Translation differences on marketable securities held at fair value through profit or loss are reported as part of the net gains/(losses) from marketable securities.

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

Currency	12/31/2015	12/31/2014
USD	1.00200	0.99390
EUR	1.08774	1.20258
DKK	14.58210	16.15240
SEK	11.86850	12.74140

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and call money at banks. These are stated at the notional amount as this is a reasonable approximation of fair value due to the short-term maturity.

Receivables/payables against brokers

Receivables/payables against brokers result from security transactions and do not bear any interest. These are stated at the carrying amount as this is a reasonable approximation of fair value due to the short-term maturity.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss as well as loans and receivables. Financial assets at fair value through profit or loss comprise marketable securities which are classified as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except when they have maturities of greater than twelve months after the balance sheet date they are classified as non-current assets. The balance sheet items cash and cash equivalents, receivables from brokers and other assets comprise this category.

Marketable securities

Marketable securities consist of securities, designated at fair value through profit or loss, and derivatives. Initially, securities and derivatives are valued at fair value and are subsequently remeasured at market values based on stock exchange prices or generally accepted valuation models that are based on market conditions existing at each balance sheet date, such as Black-Scholes, earnings multiple and discounted cash flow model. Purchases and sales of marketable securities are accounted for at trade date. Realized gains and losses on security trading are recognized in the statement of income as net realized gains/losses from marketable securities at the day of the transaction. Changes in fair value of securities are recognized as net unrealized gains/losses from marketable securities in the statement of income in the period in which they arise. Marketable securities are derecognized when the rights to receive cash flows from marketable securities have expired or where the Group has transferred substantially all risks and rewards of ownership. Based on the exemption in IAS 28 for venture capital organizations, mutual funds and similar entities investments in associates are treated in accordance with IAS 39.

Income taxes

Current income taxes are calculated on the basis of the applicable tax laws in individual countries and recognized as an expense in the period in which the related profits are made.

Assets or liabilities related to current income taxes are reported in the balance sheet in the items "Current tax assets" or "Current tax liabilities". Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the Group's balance sheet and their corresponding tax values are recognized, respectively, as "Deferred tax assets" and "Deferred tax liabilities". Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled.

Earnings per share

Basic earnings per share are calculated by dividing the net profit/loss attributable to shareholders by the weighted average number of registered shares in issue during the year, less treasury shares. For the diluted earnings per share, the weighted average number of registered shares in issue and the net profit is adjusted to assume conversion of all dilution potential registered shares. The potential registered shares include all registered shares, which will be issued by exercising warrants or options.

Short-term borrowings from banks

Short-term borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Treasury shares

Treasury shares are deducted from shareholders' equity. All profits and losses arising from trading in treasury shares are directly credited/debited to retained earnings. Treasury shares may be acquired and held by the Company or by other members of the consolidated Group.

Net asset value per share

The net asset value per share is calculated by dividing the shareholders' equity by the number of shares outstanding less treasury shares held.

Dividend income

Dividends on marketable securities are recognized in the income statement when the Group's right to receive payment is established.

Equity compensation plans

The variable compensation of the Board of Directors is based on an equity compensation plan. The granted amounts are calculated by using the average fair value in December of the relevant business year and recorded as an expense over the vesting period. The expense is charged to the appropriate income heading within the operating result. As the plan is an equity-settled share-based payment transaction, an increase in equity is recorded for this expense.

Pension funds

Since October 1, 2015, BB Biotech AG maintains for its employee a defined-contribution pension plan. Due to the immateriality of any potential pension liability or potential pension asset, no disclosures according to IAS 19 are made within these consolidated financial statements.

Commitments, contingencies and other off-balance sheet transactions

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated.

Critical accounting estimates and judgments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group makes estimates and assumptions that are mainly based on market conditions to value these financial instruments. Since these financial instruments are not traded in an active market, inherent difficulties exist to value these financial instruments. These difficulties cannot be eliminated. The difference between the proceeds from sale of these financial instruments and the carrying amount may be material.

3. Financial risk management

Within the framework of the law, articles of incorporation and regulations, the asset manager carries out currency and marketable security forward transactions, buys, sells and makes use of options as well as fulfills all necessary obligations that result from these businesses.

Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amount in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The Group maintains business relations only with counterparties with an acceptable credit rating. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been

received by the broker. The trade will fail if either party fails to meet its obligation. Other assets consist of prepayments. The Group's credit positions, if any, are monitored on a daily basis by the asset manager and are reviewed on a regular basis by the Board of Directors.

Market risks

Risk associated with changing market prices

Due to its business activity and the resulting high portion of marketable securities in relation to total assets, the Group is exposed to market price risk arising from uncertainties and fluctuations on the financial and foreign exchange markets.

The Group participates partially, but to a substantial extent, in the capital of its investments. In the case of sales of large parts of these investments, it may be able to influence the market price. The Group's marketable securities positions are monitored on a daily basis by the asset manager and are reviewed on a regular basis by the Board of Directors.

The annual volatility of registered shares BB Biotech AG (reference volatility for the marketable securities) for 2015 is 38.33% (2014: 29.86%). At December 31, 2015, had the value of listed securities increased or decreased by 38.33% (2014: 29.86%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 1 575.3 mn (2014: CHF CHF 1 050.8 mn).

At December 31, 2015, and 2014 the Company holds no unlisted shares.

Interest risk

Interest rates on liquid funds are based on market rates. The funds are due on demand.

Short-term borrowings from banks, if any, are on current and short-term loan accounts with interest based at market rates. Due to the high level of own funds, the effect of interest payable on the statement of income is insignificant. The majority of the Group's marketable securities are non-interest bearing; as a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The Group's interest sensitivity is monitored on a daily basis by the asset manager and reviewed on a regular basis by the Board of Directors.

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 or forward contracts to reduce the currency risk.

The following table summarizes the Group's exposure to currency risks:

2015	**Net exposure 12/31/ (in CHF 1 000)**	**Annual volatility (in %)**	**Potential impact (in CHF 1 000) [1)]**
USD	3 575 935	22.97	821 285
DKK	130 854	22.61	29 586
SEK	86 415	22.52	19 461
EUR	30 619	22.56	6 908
2014			
USD	3 077 202	6.57	202 049
DKK	86 281	1.977	1 706
SEK	69 225	6.298	4 360
EUR	28 819	1.966	567

[1)] Potential impact on total comprehensive income as well as shareholders' equity with all other variables held constant

The Group's currency position is monitored on a daily basis by the asset manager and is reviewed on a regular basis by the Board of Directors.

Liquidity risk

The Group invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Group's treasury shares, with the exception of shares purchased under a share buy-back program, are considered readily realizable as they are listed on three stock exchanges. The Group could invest a minor part of its portfolio in marketable securities, which are not traded on a stock exchange and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these instruments.

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on the period between the balance sheet date and the contractual maturity date (in CHF 1 000):

At December 31, 2015	Less than 1 month	1–3 months	More than 3 months / no stated maturity
Short-term borrowings from banks	160 000	–	–
Payables to brokers	1 198	–	–
Other short-term liabilities	3 623	445	–
Tax liabilities	–	–	243
Total liabilities	**164 821**	**445**	**243**

At December 31, 2014			
Short-term borrowings from banks	30 000	–	–
Payables to brokers	6 729	–	–
Other short-term liabilities	2 875	461	–
Tax liabilities	–	–	203
Total liabilities	**39 604**	**461**	**203**

The Group's liquidity position is monitored on a daily basis by the asset manager and is reviewed on a regular basis by the Board of Directors.

Diversification

The investment portfolio usually consists of 20 to 35 investments. This includes five to eight large core positions, which together will account for up to two-thirds of the portfolio. The maximum share of companies without a stock market listing is 10%.

As per December 31, 2015, the Group held six core investments, representing 51% (2014: six core investments, 52%) of the portfolio. The portfolio is – in line with the strategy – concentrated on a limited number of investments. Risk diversification is therefore limited.

Fair values

The following table presents the Group's assets and liabilities that are measured at fair value at December 31 (in CHF 1 000):

2015	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Derivative instruments	–	8 808	–	8 808
– Listed shares	4 109 821	–	–	4 109 821
Total assets	**4 109 821**	**8 808**	**–**	**4 118 629**

2014				
Assets				
Securities at fair value through profit or loss				
– Derivative instruments	34	4 564	–	4 598
– Listed shares	3 519 226	–	–	3 519 226
Total assets	**3 519 260**	**4 564**	**–**	**3 523 824**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available. The options are valued on the basis of the Black-Scholes model which is based on market conditions existing at each balance sheet date. These instruments are included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The valuation of level 3 instruments is regularly reviewed. As soon as new or adjusted parameters are available the valuation models (earnings multiple model) of unlisted shares are adjusted accordingly. The valuations are reviewed at least once a year. As of December 31, 2015 and 2014, no valuation is necessary as there are no more level 3 investments. The table below summarizes the transactions in level 3 instruments (in CHF 1 000):

	2015	2014
Opening balance	–	18 713
Purchases	–	3 554
Reclassification	–	(22 182)
Loss included in gains from marketable securities	–	(85)
Closing balance	**–**	**–**
Total loss on level 3 instruments included in gains from marketable securities	**–**	**(85)**

Due to the IPO of Radius Health Inc. as of June 5, 2014, a reclassification of the Radius shares from level 3 to level 1 (CHF 15 661) and of the Radius-related derivatives from level 3 to level 2 (CHF 0) took place in the period.

Due to the IPO of Probiodrug Ltd. as of October 27, 2014, a reclassification of the Probiodrug shares from level 3 to level 1 (CHF 6 521) took place in the period.

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 12/31/2014	Change	Number 12/31/2015	Market price in original currency		Valuation CHF mn 12/31/2015	Valuation CHF mn 12/31/2014
Celgene	3 714 298	(105 000)	3 609 298	USD	119.76	433.1	412.9
Incyte	4 051 867	(301 461)	3 750 406	USD	108.45	407.5	294.4
Ionis Pharmaceuticals [1]	5 976 526	553 312	6 529 838	USD	61.93	405.2	366.7
Actelion	2 289 385	(88 712)	2 200 673	CHF	139.60	307.2	264.0
Gilead	2 945 596	(171 000)	2 774 596	USD	101.19	281.3	276.0
Radius Health	2 752 140	1 520 000	4 272 140	USD	61.54	263.4	106.4
Alexion Pharmaceuticals	672 428	362 000	1 034 428	USD	190.75	197.7	123.7
Neurocrine Biosciences	3 086 552	35 000	3 121 552	USD	56.57	176.9	68.5
Vertex Pharmaceuticals	1 354 445	11 000	1 365 445	USD	125.83	172.2	159.9
Agios Pharmaceuticals	1 864 921	295 000	2 159 921	USD	64.92	140.5	207.7
Novo Nordisk	2 048 770	195 000	2 243 770	DKK	399.90	130.8	86.1
Medivation [2]	1 384 706	(188 300)	2 581 112	USD	48.34	125.0	137.1
Halozyme Therapeutics	6 825 532	204 300	7 029 832	USD	17.33	122.1	65.5
Regeneron Pharmaceuticals	198 000	7 000	205 000	USD	542.87	111.5	80.7
Alnylam Pharmaceuticals	751 288	381 211	1 132 499	USD	94.14	106.8	72.4
Swedish Orphan Biovitrum	6 825 749	(1 416 415)	5 409 334	SEK	134.60	86.4	69.0
Novavax	7 900 000	430 000	8 330 000	USD	8.39	70.0	46.6
Tesaro	704 582	525 000	1 229 582	USD	52.32	64.5	26.0
Cempra	775 000	1 216 900	1 991 900	USD	31.13	62.1	18.1
Juno Therapeutics	–	1 305 000	1 305 000	USD	43.97	57.5	–
Alder Biopharmaceuticals	–	1 510 150	1 510 150	USD	33.03	50.0	–
Kite Pharma	–	750 000	750 000	USD	61.62	46.3	–
PTC Therapeutics	1 227 912	75 000	1 302 912	USD	32.40	42.3	63.2
Sage Therapeutics	–	708 663	708 663	USD	58.30	41.4	–
Intercept Pharmaceuticals	–	255 719	255 719	USD	149.35	38.3	–
Puma Biotechnology	521 991	(90 000)	431 991	USD	78.40	33.9	98.2
Probiodrug	1 051 734	(950)	1 050 784	EUR	24.75	28.3	24.2
Prothena Corp.	–	320 000	320 000	USD	68.11	21.8	–
Infinity Pharmaceuticals	2 320 737	380 000	2 700 737	USD	7.85	21.2	39.0
Esperion Therapeutics	–	908 542	908 542	USD	22.26	20.3	–
Clovis Oncology	618 188	(90 000)	528 188	USD	35.00	18.5	34.4
Achillion Pharmaceuticals	1 079 340	200 000	1 279 340	USD	10.79	13.8	13.1
Cidara Therapeutics	–	466 679	466 679	USD	17.16	8.0	–
Tetraphase Pharmaceuticals	1 302 114	(935 911)	366 203	USD	10.03	3.7	51.4
Synageva BioPharma	1 130 476	(1 130 476)	–	USD	n.a.	–	104.3
Pharmacyclics	731 542	(731 542)	–	USD	n.a.	–	88.9
Receptos	651 181	(651 181)	–	USD	n.a.	–	79.3
Immunogen	3 240 816	(3 240 816)	–	USD	n.a.	–	19.6
Theravance	1 043 244	(1 043 244)	–	USD	n.a.	–	14.7
Theravance Biopharma	480 766	(480 766)	–	USD	n.a.	–	7.1
Listed shares						**4 109.8**	**3 519.2**
Total shares						**4 109.8**	**3 519.2**
Radius Health, warrants, USD 14, 04/23/2018	107 114	–	107 114	USD	48.89	5.2	2.7
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD	49.76	3.6	1.8
Merck & Co Inc contingent value rights – ex Trius/Cubist	545 927	–	545 927	USD	0.00	–	–
Merck & Co Inc contingent value rights – ex Optimer/Cubist	876 273	(876 273)	–	USD	n.a.	–	–
Total derivative instruments						**8.8**	**4.5**
Total securities at fair value through profit or loss						**4 118.6**	**3 523.8**

[1] Change of name (formerly Isis Pharmaceuticals)
[2] Share split 2:1 as at September 16, 2015

The marketable securities are deposited with Bank Julius Baer & Co. Ltd., Zurich.

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	Unlisted shares	Derivative instruments	Total
Opening balance as at 01/01/2014 at fair values	**2 147 397**	**18 713**	**1 056**	**2 167 167**
Purchases	680 137	3 554	–	683 691
Sales	(819 500)	–	–	(819 500)
Reclassification [1) 2)]	22 182	(22 182)	–	–
Realized gains	221 272	21	–	221 293
Realized losses	(5 952)	(105)	–	(6 057)
Unrealized gains	1 328 086	–	4 564	1 332 650
Unrealized losses	(54 398)	–	(1 021)	(55 419)
Net gains/(losses) from securities	1 489 008	(85)	3 543	1 492 467
Closing balance as at 12/31/2014 at fair values	**3 519 226**	**–**	**4 598**	**3 523 824**
Opening balance as at 01/01/2015 at fair values	**3 519 226**	**–**	**4 598**	**3 523 824**
Purchases	920 289	–	–	920 289
Sales	(1 015 648)	–	(48)	(1 015 696)
Realized gains	331 307	–	14	331 321
Realized losses	(47 062)	–	–	(47 062)
Unrealized gains	667 971	–	4 244	672 215
Unrealized losses	(266 263)	–	–	(266 263)
Net gains/(losses) from securities	685 953	–	4 258	690 211
Closing balance as at 12/31/2015 at fair values	**4 109 821**	**–**	**8 808**	**4 118 629**

1) IPO of Radius Health Inc. as of June 5, 2014
2) IPO of Probiodrug Ltd. as of October 27, 2014

5. Short-term borrowings from banks

At December 31, 2015, a CHF 160 mn short-term loan is outstanding, with interest payable at 0.40% p.a. (2014: CHF 30 mn at 0.41% p.a.).

6. Other short-term liabilities

(in CHF 1 000)

Other short-term liabilities comprise the following:

	12/31/2015	12/31/2014
Payables to the asset manager	3 209	2 572
Payables to the Board of Directors	–	47
Payables to the market maker	145	64
Total liabilities to related parties	**3 354**	**2 683**
Other liabilities	714	653
Total liabilities to third parties	**714**	**653**
	4 068	**3 336**

Liabilities to related parties represent unpaid fees, commissions as well as administration costs. Further information on transactions with related parties are disclosed in note 16, “Related party transactions”.

7. Shareholders' equity

The share capital of the Company consists of 11.85 mn fully paid registered shares (2014: 11.85 mn registered shares) with a par value of CHF 1 each (2014: CHF 1). CHF 2.4 mn of the retained earnings (2014: CHF 2.4 mn) are undistributable.

	Par value per share in CHF	Nominal value of the share capital in CHF 1 000	Number of shares	Treasury shares number	Outstanding shares number
January 1, 2014	**1**	**11 850**	**11 850 000**	**456 567**	**11 393 433**
Purchases of treasury shares at an average price of CHF 174.32				559 652	(559 652)
Sales of treasury shares at an average price of CHF 179.08				(449 011)	449 011
December 31, 2014	**1**	**11 850**	**11 850 000**	**567 208**	**11 282 792**
January 1, 2015	**1**	**11 850**	**11 850 000**	**567 208**	**11 282 792**
Purchases of treasury shares at an average price of CHF 280.79				613 514	(613 514)
Sales of treasury shares at an average price of CHF 287.57				(469 609)	469 609
December 31, 2015	**1**	**11 850**	**11 850 000**	**711 113**	**11 138 887**

At December 31, 2015 and 2014, the Company has neither an authorized nor a conditional capital.

At the General Shareholders' Meeting held on March 18, 2013, a resolution to commence a share buy-back program was approved whereby up to 1 185 000 shares may be repurchased by the Company. At December 31, 2015, 700 305 shares had been repurchased under this share buy-back program.

8. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	2015	2014
Fund manager		
– Management fees (incl. VAT)	37 208	22 443
Personnel		
– Board of Directors remuneration	1 028	1 003
– Wages and salaries	14	–
– Social insurance contributions and duties	49	48
	38 299	**23 494**

The remuneration model of BB Biotech AG is determined by the Board of Directors.

For the years 2015 and 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, which is paid on a monthly basis.

In the financial years 2015 and 2014, the compensation of the Board of Directors consists of a fixed remuneration which is paid quarterly in cash. In 2013, the remuneration consisted of a fixed and a variable, share-based component. The fixed component was paid in cash on a quarterly basis. The variable part was calculated from the difference between the historical maximum remuneration of 10% of the compensation to the asset manager and the fixed compensation. The variable compensation was paid in shares of the Company (equity compensation plan). The effective amount of delivered shares depends on various conditions. There is a vesting period of three years after the grant date (shares were granted at the General Shareholders' Meeting during 2014). In addition, the effective remuneration depends on the achievement of defined key performance indicators during the next three business years. The maximum compensation is only paid if in the following three-year period, the absolute performance is higher than 10% p.a. and the relative performance outperforms the Nasdaq Biotech Index and the Swiss Performance Index. If the absolute performance in the three-year period is less than 5% p.a. and neither of the two indices is outperformed, there is no variable remuneration. The cost of the equity compensation plan is charged to the income statement over the three-year vesting period. The estimate of the effective cost is based on historical analysis of the achievement of the key performance indicators. The cost is included in the position "Administrative expenses". In the financial year 2015, CHF 118 was recognized for equity compensation plans (2014: CHF 93).

9. Other expenses

(in CHF 1 000)

Other expenses comprise the following:

	2015	2014
Bank charges	861	1 058
Financial reporting and Annual General Meeting	2 207	1 470
Legal and consulting expenses	209	288
Other expenses	1 963	2 303
	5 240	**5 119**

10. Taxes

(in CHF 1 000)

	2015	2014
Operating income before tax	652 896	1 470 217
Expected tax rate (Federal tax Switzerland)	7.8%	7.8%
Expected income tax	50 926	114 677
Difference between effective local tax rates and the expected Swiss tax rate	50 846	114 599
Total income tax	**80**	**78**

In the current year, the average effective income tax rate on a consolidated basis was less than 1% (2014: <1%). This low rate is mainly attributable to the fact that a large proportion of operating income was generated by a company situated in Curaçao. As at December 31, 2015, there is no nettable loss carry forward (2014: none).

11. Earnings per share

	2015	2014
Total comprehensive income for the year (in CHF 1 000)	652 816	1 470 139
Weighted average number of shares in issue	11 169 945	11 326 547
Income per share in CHF	**58.44**	**129.80**
Profit used to determine diluted earnings per share	652 816	1 470 139
Dilution potential (share based payments) in shares	3 689	2 838
Weighted average number of shares in issue following the dilution	11 173 634	11 329 385
Diluted income per share in CHF	**58.42**	**129.76**

12. 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	2015	2014
USA	557 812	1 293 573
Switzerland	56 559	114 736
Sweden	34 219	5 417
Denmark	33 652	28 116
Ireland	4 097	–
Germany	4 088	12 764
India	–	32 073
Netherlands	–	7 049
Curaçao	(37 531)	(23 511)
	652 896	**1 470 217**

13. Assets pledged

At December 31, 2015, the securities in the amount of CHF 3 405.9 mn (2014: CHF 3 026.5 mn) are a collateral for a credit line of CHF 350 mn (2014: CHF 350 mn). At December 31, 2015, a CHF 160 mn short-term loan is outstanding (2014: CHF 30 mn).

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

The Group had no commitments or other off-balance sheet transactions open at December 31, 2015 (2014: 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 December 31, 2015, no proceedings existed which could have any material effect on the financial position of the Group (2014: none).

15. Financial assets and liabilities

Financial assets and liabilities are allocated to categories as follows (in CHF 1 000):

At December 31, 2015	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per balance sheet			
Cash and cash equivalents	21 059	–	21 059
Receivables from brokers	3 978	–	3 978
Marketable securities	–	4 118 629	4 118 629
Other assets	1	–	1
	25 038	**4 118 629**	**4 143 667**

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Short-term borrowings from banks	–	160 000	160 000
Payables to brokers	–	1 198	1 198
Other short-term liabilities	–	4 068	4 068
	–	**165 266**	**165 266**

At December 31, 2014	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per balance sheet			
Cash and cash equivalents	8 968	–	8 968
Marketable securities	–	3 523 824	3 523 824
Other assets	1	–	1
	8 969	**3 523 824**	**3 532 793**

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Short-term borrowings from banks	–	30 000	30 000
Payables to brokers	–	6 729	6 729
Other short-term liabilities	–	3 336	3 336
	–	**40 065**	**40 065**

Profit and loss from financial assets and liabilities are allocated to categories as follows (in CHF 1 000):

2015	Loans and receivables	Financial instruments at fair value through profit or loss	Other financial liabilities	Total
Profit and loss from financial instruments				
Gains from marketable securities	–	690 211	–	690 211
Interest income	1	–	–	1
Dividend income	–	6 647	–	6 647
Finance expenses	–	–	(179)	(179)
Foreign exchange losses net	(1 334)	–	–	(1 334)

2014

Profit and loss from financial instruments				
Gains from marketable securities	–	1 492 467	–	1 492 467
Interest income	4	–	–	4
Dividend income	–	5 644	–	5 644
Foreign exchange gains net	906	–	–	906
Finance expenses	–	–	(552)	(552)

16. Related party transactions

The asset management and administration of the Company has been delegated to Bellevue Asset Management Group. Based on the 1.1% all-in fee model no additional costs incurred at Bellevue Asset Management Group were charged to the BB Biotech Group (2014: none). Purchases and sales of shares traded in Switzerland are partly processed and settled via Bank am Bellevue AG. In addition, Bank am Bellevue AG was mandated with a market making mandate. The commissions for these transactions amount to 0.15%, 0.20%, and 0.25% respectively. The amounts outstanding at the balance sheet date are disclosed in note 6, "Other short-term liabilities".

Detailed information regarding the remuneration model for the Board of Directors and the asset manager are mentioned under note 8, "Administrative expenses".

17. Significant shareholders

The Board of Directors is aware of following significant shareholders:

Voting rights in %	2015	2014
Lazard Asset Management LLC, New York, USA	3.53	n.a.
Paul E. Singer (Elliott Associates L.P.), New York, USA	n.a.	5.47

18. Subsequent events

There have been no events subsequent to December 31, 2015, which would affect the 2015 consolidated financial statements.

Report of the statutory auditor
to the General Meeting of
BB Biotech AG
Schaffhausen

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of BB Biotech AG, which comprise the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flow and notes (pages 40 to 55), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) the Article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with the Article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange as well as Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 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.

PricewaterhouseCoopers AG

Adrian Keller
Audit expert
Auditor in charge

Martin Gubler
Audit expert

Zürich, 17 February 2016

Financial statements BB Biotech AG

Balance sheet as at December 31

(in CHF)

	Notes	2015	2014
Current assets			
Cash and cash equivalents		90 038	288 593
Other current receivables		1 387	750
		91 425	**289 343**
Non-current assets			
Investments		1 177 069 500	1 177 069 500
		1 177 069 500	**1 177 069 500**
Total assets		**1 177 160 925**	**1 177 358 843**
Current liabilities			
Other current liabilities	2.1	573 440 374	702 859 255
Accrued expenses		346 985	363 796
		573 787 359	**703 223 051**
Long-term liabilities			
Other long-term liabilities	2.2	537 418	537 418
		537 418	**537 418**
Total liabilities		**574 324 777**	**703 760 469**
Shareholders' equity			
Share capital	2.3	11 850 000	11 850 000
Legal capital reserves			
– Paid-in capital reserve [1)]	2.3	156 309 224	283 792 408
Legal profit reserves			
– General legal reserve		4 500 000	4 500 000
– Reserve for treasury shares [2)]		3 099 383	2 595 644
Other reserves		231 252 788	234 352 171
Retained earnings	5/6	312 057 844	11 582 660
Treasury shares		(116 233 091)	(75 074 509)
		602 836 148	**473 598 374**
Total liabilities and shareholders' equity		**1 177 160 925**	**1 177 358 843**

[1)] Of which CHF 20 441 000 not yet confirmed by the Swiss Tax Authorities
[2)] For treasury shares held by subsidiaries

The financial statements were approved by the Board of Directors of BB Biotech AG on February 15, 2016.

Statement of income for the year ended December 31

(in CHF)

	Notes	2015	2014
Operating income			
Income from investments		300 000 000	–
Other income	2.4	6 589 144	5 139 475
		306 589 144	**5 139 475**
Operating expenses			
Administrative expenses	2.5	(1 701 942)	(1 398 022)
Other expenses	2.6	(4 345 715)	(3 328 486)
		(6 047 657)	**(4 726 508)**
Operating income before finance income and tax		**300 541 487**	**412 967**
Finance income		–	24
Finance expenses		(5 603)	(12 402)
Operating income before tax		**300 535 884**	**400 589**
Tax expenses	2.7	(60 700)	(58 787)
Net income for the year		**300 475 184**	**341 802**

1. Accounting policies

General

The financial statements of BB Biotech AG (the Company) have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (new accounting law). The financial statements have been prepared under the historical cost convention. The previous year's figures have been restated accordingly.

Cash and cash equivalents

Cash and cash equivalents includes current accounts at banks. These are stated at the notional amount.

Investments

The investments include the subsidiaries over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Initially and subsequently, investments are valued at historical cost. An impairment is recognized if the value in use is expected to permanently fall below the book value.

Dividend income is recognized in the income statement when the Company's right to receive the dividend payment is established.

Receivables/liabilities

Receivables/liabilities are classified as current assets/liabilities if maturity is expected to be within twelve month after the balance sheet date. Else, they are classified as long-term assets/liabilities. Receivables/liabilities are recognized at notional value. Receivables/liabilities against related parties include transactions with the Board of Directors as well as companies and affiliates of the asset manager. Receivables/liabilities against group companies result mainly from cash-pooling activies of the group. The group consists of BB Biotech AG and the mentioned subsidiaries under 3.3.

Treasury shares

Treasury shares are deducted from shareholders' equity. All profits and losses arising from trading in treasury shares are included in the income statement. A reserve for treasury shares is built for treasury shares held by subsidiaries. The reserve is based on cost prices.

2. Details and explanations to the financial statements

2.1 Other current liabilities

The other current liabilities comprise the following:

	2015	2014
Third parties	285 587	294 204
Related parties	207 548	167 812
Group companies	572 947 239	702 397 239
	573 440 374	**702 859 255**

2.2 Other long-term liabilities

The other long-term liabilities comprise the following:

	2015	2014
Related parties	537 418	537 418
	537 418	**537 418**

2.3 Shareholders› equity

The share capital of the Company consists of 11.85 mn fully paid registered shares (2014: 11.85 mn) with a par value of CHF 1 (2014: CHF 1). At the General Shareholders' Meeting held on March 18, 2013, a resolution to commence a share buy-back program was approved whereby up 1 185 000 shares may be repurchased by the Company. At December 31, 2015, 700 305 shares had been repurchased under this share buy-back program.

At December 31, 2015 and 2014, the Company has neither an authorized nor a conditional capital.

The change in paid-in capital reserve is due to the cash distribution of CHF 130 078 827 (CHF 11.60 per outstanding registered share) which was approved at the General Shareholders' Meeting held on March 18, 2015.

2.4 Other income

Other income comprises the following:

	2015	2014
Income group services	6 585 000	5 137 000
Other income	4 144	2 475
	6 589 144	**5 139 475**

2.5 Administrative expenses

Administrative expenses comprise the following:

	2015	2014
Board compensation	956 348	957 957
Investment manager compensation	729 570	440 065
Staff costs	16 024	–
	1 701 942	**1 398 022**

The remuneration report discloses further details to the Board compensation.

2.6 Other expenses

Other expenses comprise the following:

	2015	2014
Marketing and financial reporting	2 207 030	1 470 397
Consulting and audit	322 344	412 140
Bank charges	299 612	153 287
Other expenses	1 516 729	1 292 662
	4 345 715	**3 328 486**

2.7 Tax expenses

Tax expenses comprise the following:

	2015	2014
Income taxes	40 403	30 000
Capital taxes	20 297	28 787
	60 700	**58 787**

3. Other information required by law

3.1 Name, legal form and registered office

BB Biotech AG is a limited company according to the Swiss Code of Obligation and has its registered office at Schwertstrasse 6 in Schaffhausen.

3.2 Declaration of number of full-time equivalents

The number of full-time equivalents did not exceed 10 in the calendar year 2015 (2014: below 10).

3.3 Investments

Investments of BB Biotech AG comprise, in the business years 2015 and 2014, the following subsidiaries:

Company	Capital in CHF	Capital and voting interest in %
Biotech Focus N.V., Curaçao	10 778	100
Biotech Growth N.V., Curaçao	10 778	100
Biotech Invest N.V., Curaçao	10 778	100
Biotech Target N.V., Curaçao	10 778	100

3.4 Treasury shares (balances and change)

Treasury shares are partly held by the Company directly and partly by its 100% subsidiary Biotech Target N.V. indirectly.

	BB Biotech AG	Biotech Target N.V.	Total
Balance at January 1, 2014	**415 000**	**41 567**	**456 567**
Purchases BB Biotech AG at an average price of CHF 165.87	140 200	–	140 200
Purchases Biotech Target N.V. at an average price of CHF 177.14	–	419 452	419 452
Sales Biotech Target at an average price of CHF 179.08	–	(449 011)	(449 011)
Balance at December 31, 2014	**555 200**	**12 008**	**567 208**
Purchases BB Biotech AG at an average price of CHF 283.65	145 105	–	145 105
Purchases Biotech Target N.V. at an average price of CHF 279.90	–	468 409	468 409
Sales Biotech Target at an average price of CHF 287.57	–	(469 609)	(469 609)
Balance at December 31, 2015	**700 305**	**10 808**	**711 113**

3.5 Audit fees

The audit fees comprise the following:

	2015	2014
Audit fees	120 000	105 000
Audit-related fees	2 160	2 160
	122 160	**107 160**

3.6 Commitments and contingencies

The Company had no commitments or other off-balance sheet transactions open at December 31, 2015 (2014: none).

The operations of the Company are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. The Board of Directors concludes that as at December 31, 2015, no proceedings existed which could have any material effect on the financial position of the Company (2014: none).

3.7 Subsequent events

There have been no events subsequent to December 31, 2015, which would affect the 2015 financial statements.

4. Other information

4.1 Significant shareholders

The Board of Directors is aware of following significant shareholders:

Voting rights in %	2015	2014
Lazard Asset Management LLC, New York, USA	3.53	n.a.
Paul E. Singer (Elliott Associates L.P.), New York, USA	n.a.	5.47

4.2 Statement of holdings of the Board of Directors

As at December 31, the Board of Directors held the following registered shares of BB Biotech AG:

	2015	2014
Dr. Erich Hunziker, Chairman	30 251	30 251
Dr. Clive Meanwell, Vice-Chairman	–	–
Prof. Dr. Dr. Klaus Strein	–	–

4.3 Management contracts

On behalf of the Company, the Board of Directors has entered into a management contract with Bellevue Asset Management Group (investment manager). In this contract, the investment manager commits to carry out management services relating to the investment activity and management of BB Biotech AG. Under this contract the Company paid in the business year 2015 CHF 729 570 (2014: CHF 440 065) to Bellevue Asset Management AG.

4.4 Annual report and cash flow statement

Due to the fact, that BB Biotech AG prepares consolidated financial statements in accordance with a recognized international accounting standard (IFRS), the Company doesn't prepare, in line with the legal requirements, an annual report and cash flow statement.

5. Movements on retained earnings

	2015	2014
Retained earnings at the beginning of the year	11 582 660	11 240 858
Net income for the year	300 475 184	341 802
Retained earnings at the end of the year	**312 057 844**	**11 582 660**

6. Proposal of the Board of Directors for the appropriation of retained earnings

	2015 Proposal of the Board	2014 Resolution passed at the AGM
Retained earnings at the disposal of the Annual General Meeting	312 057 844	11 582 660
Dividend (CHF 2.25 per outstanding registered share)	24 930 000	–
Allocation to other reserves	280 000 000	–
Carry forward to the next period	7 127 844	11 582 660
	312 057 844	**11 582 660**

In addition, the Board of Directors proposes to the Annual General Meeting to conduct a cash distribution out of the paid-in capital reserves of maximum 135.73 mn (CHF 12.25 per outstanding registered share).

Report of the statutory auditor
to the General Meeting of
BB Biotech AG
Schaffhausen

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BB Biotech AG, which comprise the balance sheet, income statement and notes (pages 60 to 65), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

PricewaterhouseCoopers AG

Adrian Keller
Audit expert
Auditor in charge

Martin Gubler
Audit expert

Zurich, 17 February 2016

Corporate Governance

The following chapter is intended to supplement the Annual Report with information on corporate governance. As BB Biotech AG is listed on the Swiss, German, and Italian stock exchanges, the company wishes to be in compliance with the rules and regulations that apply to each of these markets. A great deal of the required information has already been supplied in past sections of the Annual Report or is available for download on the Internet. In such cases we allow us to refer to the relevant pages in this report or to our website, www.bbbiotech.com.

1. Introductory remarks with respect to the specific structure of BB Biotech AG as an investment company

BB Biotech AG is an investment company listed on a stock exchange according to article 2 paragraph 3 of the Swiss Federal Act on Collective Investment Schemes (CISA) in the form of a company limited by shares. As a company limited by shares which is listed on a stock exchange, BB Biotech AG is subject to the supervision and regulation by the SIX Swiss Exchange. Therefore, BB Biotech AG is exempted from the supervision of the Swiss Financial Market Supervisory Authority (FINMA) as well as from the regulation pursuant to the CISA.

As an investment company, the sole purpose of BB Biotech AG is the management of the assets of its investors. The BB Biotech group does not pursue any commercial or operational activity beyond the asset management.

2. Group structure and shareholdership

Please refer to note 1 of the consolidated annual financial statements. In addition hereto, we wish to advise that the Board of Directors is not aware of any cross-holdings with other companies exceeding a limit of 5% in terms of capital or the number of votes. Information on key stockholders is listed in note 17 to the consolidated annual financial statements. The notifications which have been notified to the company and the disclosure office of the SIX Swiss Exchange AG during the fiscal year pursuant to article 20 of the Federal Act on Stock Exchanges and Securities Trading and which have been published on the latter's electronic publication platform may be viewed via the search function on https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html.

3. Capital structure

The capital structure is as follows:
(in CHF 1 000)

	Nominal value of the share capital	Authorized capital	Conditional capital
January 1, 2013	**13 000**	**–**	**–**
Capital reduction	(1 150)	–	–
December 31, 2013	**11 850**	**–**	**–**
January 1, 2014	**11 850**	**–**	**–**
December 31, 2014	**11 850**	**–**	**–**
January 1, 2015	**11 850**	**–**	**–**
December 31, 2015	**11 850**	**–**	**–**

For the years mentioned in the table, the share capital of the company consists of fully paid registered shares with a par value of CHF 1 each.

The change in equity is disclosed in the consolidated financial statement of changes in equity on page 42.

4. Board of Directors

4.1 Members, nationality, and stock holdings

– Dr. Erich Hunziker, Chairman, Switzerland, 30 251 shares (2014: 30 251 shares)
– Dr. Clive Meanwell, Vice-Chairman, USA, no shares (2014: none)
– Prof. Dr. Dr. Klaus Strein, Germany, no shares (2014: none)

The members of the Board of Directors have no executive functions, neither today nor in the last three years. Moreover, no business relations are in place between the Board members and BB Biotech AG. Detailed résumés are available on our website www.bbbiotech.com.

4.2 Further mandates of the members of the Board of Directors

– Dr. Erich Hunziker is a member of the Board of Directors of EngMab AG and AB2Bio AG. Furthermore, he is a member of the Supervisory Board of the IMD Management School.
– Dr. Clive Meanwell is a member of the Board of Directors and CEO of The Medicines Company.
– Prof. Dr. Dr. Klaus Strein is Chairman of the Board of Directors and CEO of EngMab AG and member of the Board of Directors of NovImmune SA.

4.3 Number of permissible external mandates

The rule with respect to the number of permissible external mandates of members of the Board of Directors can be found in article 23 of the articles of incorporation of the company. The articles of incorporation are available for download under the following link: http://www.bbbiotech.ch/en/bb-biotech/corporate-governance/bylaws/.

4.4 Election and term of office

The Board of Directors is elected by a simple quorum for a term of office of one year. There are no limitations on its tenure. The members of the Board of Directors have first been elected at the following General Meetings:

– Dr. Erich Hunziker: 2011 (Chairman since 2013)
– Dr. Clive Meanwell: 2004 (Vice-Chairman since 2011)
– Prof. Dr. Dr. Klaus Strein: 2013

4.5 Internal organization

The Board of Directors consists of a Chairman, Vice-Chairman and a member. In addition, the members of the Board of Directors are appointed in the following committees:

– Dr. Erich Hunziker, Chairman: Chairman of the Audit Committee
– Dr. Clive Meanwell, Vice-Chairman: Member of the Audit Committee and Chairman of the Remuneration and Nomination Committee
– Prof. Dr. Dr. Klaus Strein, Member: Member of the Remuneration and Nomination Committee

The Board of Directors generally meets once per month via video or telephone conference. In addition, two three-day strategy meetings take place each year. These meetings are attended by representatives of the asset manager commissioned. No ordinary board meetings are held in the months of the strategy meetings. In these meetings, the Board of Directors regularly examines the compliance with the investment guidelines. In addition, the representatives entrusted with the asset management present the respective investment and divestiture proposals before their implementation to the Board of Directors. The latter examines the individual investment proposals with respect to the compliance with the investment strategy as well as the investment process. During the fiscal year 2015, nine ordinary board meetings and two strategy meetings took place.

The members of the Audit Committee hold quarterly meetings, the Remuneration and Nomination Committee holds at least one meeting a year. During 2015, four ordinary meetings of the Audit Committee and one ordinary meeting of the Remuneration and Nomination Committee took place.

4.6 Director›s dealing

BB Biotech AG publishes each purchase/sale of BB Biotech AG stocks by members of the Board of Directors as well as by first-degree relatives of such persons within three trading days. This information is made available for 30 days on the website.

5. Asset management

BB Biotech AG as an investment company listed on a stock exchange does not have a management of its own within the meaning of article 716b CO, respectively the Ordinance Against Excessive Compensation in Public Corporations. The Board of Directors of BB Biotech AG has – as it is customary for investment companies – outsourced the asset management based on the management contract to a specialized third company, namely to Bellevue Asset Management Group. The supervision of Bellevue Asset Management Group acting as external asset manager and the taking of core decisions relating to the investment policy remain with the Board of Directors of BB Biotech AG as a non-transferable duty. The management contract is valid for an indefinite period and can be terminated by either party with a notice period of twelve months with effect as per the end of the following calendar year. Detailed information on this mandate and the members of the investment manager involved is available on the website. Since January 1, 2014, the remuneration paid to the asset manager has been based upon a 1.1% all-in fee on the average market capitalization without any additional fixed or performance-based elements of compensation, which is paid on a monthly basis.

6. Remuneration

See notes 8 and 16 of the consolidated financial statements as well as the remuneration report hereinafter for details relating to the remuneration of the Board of Directors and the process of determining its remuneration.

The rules governing the approval by the General Meeting of the remuneration of the members of the Board of Directors as well as the principles governing the remuneration of the members of the Board of Directors can be found in articles 19 – 21 of the articles of incorporation of the company. The articles of incorporation do not contain any provision with respect to loans, credits and pension benefits to the members of the Board of Directors. The articles of incorporation are available for download under the following link: http://www.bbbiotech.ch/en/bb-biotech/corporate-governance/bylaws/.

7. Stockholders' rights of cooperation

7.1 Limitations to voting rights; voting by proxy

There are no limitations to voting rights and no internal rules at variance from the statutory provisions concerning attendance of a General Meeting. The articles of incorporation do not contain any provision with respect to the issuance of directives to the independent voting rights representative or to the electronic participation at a General Meeting.

7.2 General Meeting

There are no statutory rules relating to the presence of a majority quorum which differ from the statutory provisions. The convening of a General Meeting as well as the request that items be included in the agenda are governed by article 7 of the articles of incorporation of the company as well as the statutory provisions of law. The articles of incorporation are available for download under the following link: http://www.bbbiotech.ch/en/bb-biotech/corporate-governance/bylaws/.

7.3 Dividend policy

At present, the company is pursuing a structured distribution policy. The objective of the Board of Directors is to achieve an annual return of 10% for shareholders via tax-efficient cash distribution combined with continued share buy-backs. The Board of Directors suggests distributing an annual cash distribution equivalent to approximately 5% of the prevailing share price as well as seeking shareholder authorization for further share buy-backs of approximately 5% p.a.

8. Change-of-control and defensive measures

8.1 Obligatory offer for sale

An opting-out rule is in place.

8.2 Change-of-control clauses

No change-of-control clauses are in place in favor of the Board of Directors.

9. Audits

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

Since the fiscal year 1994, PricewaterhouseCoopers AG has been the official auditor and group auditor of BB Biotech AG. The lead auditor, Adrian Keller, has been responsible for auditing the company's books since the fiscal year 2010.

9.2 Fees

The following fees for professional services in the fiscal year ended December 31, 2015, were agreed:

– Audit fees (including interim audit): CHF 120 000
– Fees for audit-related services: CHF 2 160

9.3 Instruments of information of the external audit

The asset manager and the auditors are continually in contact with each other. The auditor is consulted by the Board of Directors where necessary. The auditors attend at least two audit committee meetings per year.

10. Information policy/diary of Company events

Please refer to “Shareholder information” at page 82.

11. Trading in own stocks

BB Biotech AG operates, in line with legal and internal regulations, as an active purchaser/seller of own stocks itself on the market, securing additional liquidity in the process.

Remuneration Report

This remuneration report for the fiscal year 2015 outlines the remuneration system as well as the remuneration of the members of the Board of Directors of BB Biotech AG. The content and scope of the information contained in this report is in accordance with the provisions of the Ordinance Against Excessive Compensation in Public Corporations (the Ordinance) and with the Directive on Information relating to Corporate Governance (DCG) of the SIX Swiss Exchange.

1. Responsibilities and authorities with respect to remuneration

1.1 Introductory remarks relating to the specific structure of BB Biotech AG as an investment company

The Board of Directors of BB Biotech AG has not made use of its competence to delegate the executive management of all or part of the company's business pursuant to article 716b CO and therefore manages the business of the company itself, to the extent it has not been delegated to the investment manager within the framework of the management contract. Accordingly, BB Biotech AG does not have an executive management pursuant to article 716b CO or the Ordinance.

For details, please refer to note 7.

1.2 Responsibilities and authorities with respect to the remuneration

The Remuneration and Nomination Committee is responsible for ensuring that the process relating to the determination of the remuneration is held on a fair and transparent basis and that such process is controlled effectively. The adopted remuneration process shall serve as a basis for an adequate decision with respect to services rendered as well as an appropriate incentive to the individual members of the Board of Directors, taking into account the long-term interests of the shareholders and the company's success. In addition, the Remuneration and Nomination Committee assists the Board of Directors in determining the principles of the remuneration strategy of BB Biotech AG.

The Remuneration and Nomination Committee submits proposals to the Board of Directors for resolution in the following areas:
- Amount and composition of the aggregate remuneration of the Board of Directors;
- Amount and composition of the remuneration of the Chairman of the Board of Directors;
- Amount and composition of the remuneration of the Vice-Chairman as well as the other members of the Board of Directors;
- Amount and composition of the additional remuneration of the members of a Board of Directors Committee.

Furthermore, the Remuneration and Nomination Committee resolves on conclusion, termination, or amendment of contracts entered into with external asset managers and thus in particular on the amount of the compensation to be paid under the respective contracts.

2. Remuneration of the members of the Board of Directors

2.1 Principles

The remuneration of the members of the Board of Directors is based on the scope of activity and responsibility of the individual members (Chairman of the Board of Directors, Vice-Chairman of the Board of Directors, member of the Board of Directors; involvement in committees: chairmanship of a committee, member of a committee).

The remuneration of the Board of Directors consists of the following elements:

- Fixed remuneration (disbursement by cash compensation);
- Social insurance contributions and duties.

The limitation to a fixed remuneration ensures that the focus of the Board of Directors lies on the long-term success of BB Biotech AG. Its amount takes account of the workload and responsibility of the individual members of the Board of Directors. Therefore, the remuneration of the Board of Directors has been separated from the compensation of the investment manager; thus, the Board of Directors does not have an incentive to take excessively high risks.

Upon request of the Remuneration and Nomination Committee, the entire Board of Directors resolves once a year on the amount of the remuneration of the members of the Board of Directors and the committees.

The Board of Directors had determined the fixed remuneration of its members (as a member of the Board of Directors or a committee) as follows:

Function/Responsibility	2015 in CHF	2014 in CHF
Chairman	360 000	360 000
Vice-Chairman	250 000	250 000
Member	250 000	250 000
Chairman of the Remuneration and Nomination Committee	15 000	15 000
Member of the Remuneration and Nomination Committee	10 000	10 000
Chairman of the Audit Committee	15 000	15 000
Member of the Audit Committee	10 000	10 000
	910 000	**910 000**

2.2 Remuneration of the individual members of the Board of Directors in the reporting year

In the reporting year 2015, the three members of the Board of Directors received a total remuneration of CHF 956 348 (2014: CHF 957 957). From this amount, CHF 910 000 (2014: CHF 910 000) have been paid in the form of a fixed remuneration for the work on the Board of Directors and on the committees of the Board of Directors. The social insurance contributions and the duties amounted to a total of CHF 46 348 (2014: CHF 47 957).

The individual members of the Board of Directors were paid the following remuneration:

Fiscal year 2015

Name/Function	RNC [1]	AC [2]	Period	Fixed remuneration	Committee remuneration	Social insurance contributions and duties	Total
Hunziker Erich, Chairman		X	01.01.2015 – 31.12.2015	360 000	15 000	30 000	405 000
Meanwell Clive, Vice-Chairman	X	X	01.01.2015 – 31.12.2015	250 000	25 000	–	275 000
Strein Klaus, Member	X		01.01.2015 – 31.12.2015	250 000	10 000	16 348	276 348

[1] RNC = Remuneration and Nomination Committee
[2] AC = Audit Committee

Fiscal year 2014

Name/Function	RNC [1]	AC [2]	Period	Fixed remuneration	Committee remuneration	Social insurance contributions and duties	Total
Hunziker Erich, Chairman		X	01.01.2014 – 31.12.2014	360 000	15 000	30 000	405 000
Meanwell Clive, Vice-Chairman	X	X	01.01.2014 – 31.12.2014	250 000	25 000	–	275 000
Strein Klaus, Member	X		01.01.2014 – 31.12.2014	250 000	10 000	17 957	277 957

[1] RNC = Remuneration and Nomination Committee
[2] AC = Audit Committee

3. Remuneration of related parties at non-market conditions

In the reporting year 2015, no remuneration which was not at arm's length terms was paid to related parties (2014: none).

4. Remuneration of former members of the corporate bodies

In the reporting year 2015, no remuneration was paid to former members of the corporate bodies (2014: none).

5. Loans and credits to the members of the Board of Directors

The articles of incorporation of BB Biotech AG do not provide that loans and credits may be granted to the members of the Board of Directors.

Accordingly, no loans or credits which BB Biotech AG has granted to current or former members of the Board of Directors or to related parties were outstanding as of December 31, 2015 (December 31, 2014: none).

6. Contractual terms at retirement from BB Biotech AG

No member of the Board of Directors has a contract with BB Biotech AG providing for a severance payment in the event of leaving BB Biotech AG.

7. Management contracts

On behalf of the company, the Board of Directors has entered into a management contract with Bellevue Asset Management Group (investment manager). In this contract, the investment manager commits to carry out management services relating to the investment activity of BB Biotech AG. The management contract is valid for an indefinite period and can be terminated by either party with a notice period of twelve months with effect as per the end of the following calendar year. The remuneration of the investment manager is determined by the respective contract and corresponds to a fixed fee of 1.1% on the average market capitalization without any additional fixed or performance-based elements.

Report of the statutory auditor
to the General Meeting on the
remuneration report 2015

Report of the statutory auditor to the General Meeting
BB Biotech AG, Schaffhausen

We have audited chapter 2.2 up to and including chapter 5 of the remuneration report (pages 77 to 78) dated 15 February 2016 of BB Biotech AG for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion
In our opinion, the remuneration report of BB Biotech AG for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Adrian Keller
Audit expert
Auditor in charge

Martin Gubler
Audit expert

Zürich, 17 February 2016

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 December 31, 2015

Foundation:	November 9, 1993; Schaffhausen, Switzerland
Issue price adj. November 15, 1993:	CHF 23.76
Official listing:	December 27, 1993 in Switzerland; December 10, 1997 in Germany; October 19, 2000 in Italy
Share structure:	CHF 11.85 mn nominal, 11 850 000 registered shares with a par value of CHF 1
Shareholders, free float:	Institutional and private investors, 94.1% free float (5.9% treasury shares held on second trading line)
Security number Switzerland:	3 838 999
Security number in Germany and Italy:	A0NFN3
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	**in EUR**	– Datastream: D:BBNA
		– Reuters: BABB		– Reuters: BABB
		– Telekurs: BIO resp. 85, BB1		
		– (Investdata)		
		– Finanz & Wirtschaft (CH)		
Stock price:	**in CHF (SIX)**	– Bloomberg: BION SW Equity	**in EUR (Xetra)**	– Bloomberg: BBZA GY Equity
		– Datastream: S:BIO		– Datastream: D:BBZ
		– Reuters: BION.S		– Reuters: BION.DE
		– Telekurs: BIO	**in EUR (STAR)**	– Bloomberg: BB IM Equity
		– Finanz & Wirtschaft (CH)		– Datastream: I:BBB
		– Neue Zürcher Zeitung (CH)		– Reuters: BB.MI

Corporate calendar 2016

Annual General Meeting 2016	March 17, 2016, 3.30 PM CET Hombergerhaus Ebnatstrasse 86 CH-8200 Schaffhausen
Interim Report as at March 31, 2016	April 22, 2016, 7 AM CET
Interim Report as at June 30, 2016	July 22, 2016, 7 AM CET
Interim Report as at September 30, 2016	October 21, 2016, 7 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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