



Interim Report as at March 31, 2016

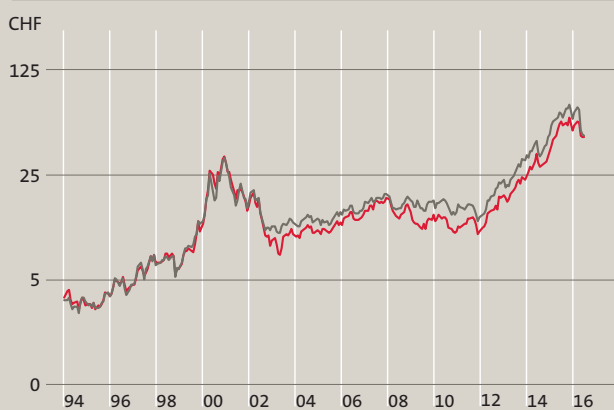
B|B Biotech

Multi-year comparison

	03/31/2016	2015	2014	2013	2012
Market capitalization at the end of the period (in CHF mn)	2 716.6	3 463.2	2 799.0	1 668.5	1 150.5
Net Asset Value at the end of the period (in CHF mn)	2 597.9	3 978.2	3 492.5	2 118.9	1 234.0
Number of shares (in mn)	59.3	11.9	11.9	11.9	13.0
Trading volume (in CHF mn)	1 383.7	6 265.2	3 186.6	1 289.3	948.9
Profit/(loss) (in CHF mn)	(1 205.5)	652.8	1 470.1	931.8	367.8
Closing price at the end of the period in CHF ¹⁾	45.85	58.45	47.24	28.16	17.70
Closing price (G) at the end of the period in EUR ¹⁾	41.92	53.99	39.60	23.04	14.51
Closing price (I) at the end of the period in EUR ¹⁾	41.86	54.18	39.34	23.08	14.58
Stock performance (incl. distributions)	(16.5%)	28.2%	75.1%	66.0%	42.7%
High/low share price in CHF ¹⁾	58.20/40.78	70.25/46.48	48.16/26.74	29.38/17.90	19.36/12.40
High/low share price in EUR ¹⁾	53.98/36.74	66.02/39.39	39.98/21.82	23.94/14.69	16.048/10.11
Premium/(discount) (annual average)	(6.9%)	(17.6%)	(22.1%)	(23.1%)	(21.3%)
Cash distribution/dividend in CHF	N.A.	14.50	11.60	7.00	4.50
Degree of investment (quarterly figures)	112.8%	101.0%	104.6%	104.5%	109.0%
Total Expense Ratio (TER) p.a.	1.15%	1.13%	1.14%	1.02%	1.69%

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

Share price trend since foundation (in CHF)



■ BB Biotech share ■ BB Biotech Net Asset Value
Source: Bloomberg, 03/31/2016

Top 10 positions as at March 31, 2016

Celgene	11.9%
Actelion	10.1%
Incyte	9.1%
Ionis Pharmaceuticals	9.0%
Gilead	8.4%
Alexion Pharmaceuticals	4.7%
Radius Health	4.5%
Neurocrine Biosciences	4.1%
Medivation	3.9%
Novo Nordisk	3.9%

Breakdown by sector as at March 31, 2016

Oncology	35.8%
Orphan diseases	22.9%
Infectious diseases	12.3%
Cardiovascular diseases	10.7%
Metabolic diseases	8.4%
Others	9.9%

Performance (adjusted for distributions, in local currency)

As of 03/31/2016	YTD	3 years	5 years	11/15/93
Switzerland	-16.5%	+147.3%	+318.0%	+1397.5%
Germany	-17.4%	+176.2%	+394.0%	N.A.
Italy	-17.8%	+174.3%	+395.9%	N.A.

Breakdown by currency as at March 31, 2016

USD	82.8%
CHF	10.1%
DKK/SEK	6.2%
EUR	0.9%

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Picture: Molecule of a DNA cell

Dear shareholders

2016 started off with a significant equity market correction. With equity indices stabilizing and recovering some of the substantial losses, the first quarter total return for the S&P 500 index was flat in USD, down 7.2% in EUR for the DAX and down 10.2% in CHF for the SMI.

Following several years of significant outperformance against the broad equity indices, the biotech sector valuations fell in association with profit-taking fueled by US presidential election campaigns promising hardly realizable moves on drug pricing. The NBI fell 22.9% in USD in Q1 2016, one of the most significant quarterly declines in history of the biotech equity markets.

BB Biotech's performance for the first quarter of 2016

BB Biotech weathered this storm by focusing on high quality investments and a long term view. The total return for BB Biotech's share was better than the sector indices by around 10% and also ahead of the portfolio. Nevertheless, BB Biotech's shares declined 16.5% in CHF, 17.4% in EUR and 13.0% in USD, including the dividend payment. The difference between share price and the Net Asset Value – which was 18% at the end of 2015 – reduced to almost zero with the share price trading close to the book value of the assets.

The portfolio showed an overall loss of 30.1% in CHF, 30.5% in EUR and 27.1% in USD. Proportionally greater exposure to smaller and mid cap holdings, with the leverage maintained throughout the market correction, and the depreciation of the US dollar to the Euro and the Swiss Franc all resulted in a significant temporary drop in the value of the net assets of BB Biotech. For Q1 2016, BB Biotech's net loss amounts to CHF 1.2 bn, compared to a net profit of CHF 379 mn for the same period in 2015.

Total return calculations include the dividend distribution of CHF 14.50 per share in accordance with BB Biotech's proposed dividend policy and as approved by shareholders at this year's AGM on March 17, 2016. The distribution is another substantive increase compared to the dividend of last year, driven by the share price appreciation of 2015.

Continued distribution and a five-for-one share split

BB Biotech paid its proposed dividend of CHF 14.50 per share, expending the remaining paid-in capital reserves by distributing CHF 12.25 per share, plus a regular cash dividend of CHF 2.25 per share. The board announced it will continue the current distribution policy in the future, paying a regular dividend calculated at 5% of the average December share price.

The share repurchase program ongoing throughout 2015 and the first quarter of 2016 reached was closed prior to the AGM having acquired 770 000 shares (before split) of BB Biotech through the second trading line. The AGM approved the cancellation of these shares. Additionally, BB Biotech implemented a five-for-one share split on March 29, 2016. The total number of shares outstanding post the split is 59 250 000, or 55 400 000 after the deletion of the shares repurchased through the second trading line which is planned earliest in the second quarter of 2016.

A new share-repurchase program of a maximum of 10% of the outstanding shares, or 5 540 000 shares, was approved at the AGM and is required to close within a 36-months window. In combination with the dividend pay-out, this enables the continuation of the structured distribution policy to return capital to shareholders, providing them with up to 10% annual return.

First quarter portfolio activity

Despite economic challenges and substantially increased volatility in the biotech equity markets, BB Biotech maintained most of its portfolio positions. The holdings in Swedish Orphan Biovitrum and Actelion were marginally reduced. In contrast, taking advantage of lower share prices, BB Biotech increased holdings in selected US smaller and mid cap companies such as Ionis, Incyte, Radius, Halozyme, Alnylam, Cemptra, Sage, Esperion and Prothena. The team also increased the holding in Cidara, initiated in the fourth quarter 2015, throughout the first quarter 2016 and sold all of the remaining shares in the Tetrphase position following their failed Phase III study for Eravacyline.

At the beginning of 2016, BB Biotech's investment leverage was CHF 140.5 mn, or 3.5% of the net assets. On March 31, 2016, the leverage had increased to CHF 332.5 mn, or 12.8% of the net assets. The increase was attributed to the dividend pay-out of CHF 160 mn and the increase of BB Biotech's portfolio exposure to smaller and mid cap biotech companies.

Asymmetrical market reactions offer opportunity for future performance

The biotech industry's continued progress is dependent on successful innovation, demonstrated by positive late stage clinical trials and ultimately new product approval status and successful commercialization. Unlike prior years, biotech equity markets showed muted responses to company announcements of progress during the first quarter of 2016. BB Biotech anticipates this sentiment to be temporary and continues to believe that developments and launch of innovative medicines will drive share price appreciation among our holdings.

Gilead achieved regulatory approvals for its TAF-containing HIV single tablets. TAF is Gilead's next generation Viread (Tenofovir) maintaining Viread's strong efficacy profile but with an improved side effect profile with TAF having less impact on the patient's bones and kidneys. TAF is the backbone product for Gilead to maintain leadership in the HIV market and to overcome the loss of exclusivity for Viread in the coming years. In March, the US FDA approved Odefsey, a fixed-dose combination containing Emtricitabine, Rilpivirine and TAF. In Europe, the CHMP adopted a positive opinion for Descovy, a fixed-dosed combination of Emtricitabine and TAF.

Actelion received a positive CHMP opinion for Selexipag in January 2016. Due to procedural changes, the EMA re-confirmed its positive recommendation once again in late March. BB Biotech now expects European launch during the second quarter of 2016.

Novo Nordisk shares fell in value when management updated its long-term financial goals for top line growth from mid-teens down to the 10%. The company regained some of the lost ground following announcement of two positive results from two impor-

tant clinical studies. The LEADER study of Victoza in more than 9000 adult type 2 diabetic patients showed a reduction of cardiovascular death, non-fatal myocardial infarction and non-fatal stroke for Victoza in combination with standard of care. The SWITCH study showed that Tresiba is superior to Sanofi's Lantus for avoidance of hypoglycemia, both for symptomatic and nocturnal events. Both SWITCH and LEADER are expected to support further growth for Novo Nordisk's leading diabetes franchise for years to come.

Alder, a newer holding of BB Biotech focusing on CNS-related disorders, also reported positive clinical trial data. Alder reported two positive Phase II migraine prevention trials for ALD403, an anti-CGRP antibody. In addition to these data, Alder announced successful outcomes for the subcutaneous formulation of its CGRP antibody, opening the door for them to pursue development of a self-administered medication.

Markets were on the other hand surprised by the "refuse to file" letter issued by the FDA for PTC's Ataluren. Consequently, PTC's share price fell more than 80% in the first quarter of 2016. PTC has stated that they expect shortly a final European regulatory decision on Ataluren, in which it currently sells in some European countries based on a conditional approval.

In summary, large cap biotech share prices corrected by 10–20%, mid caps by 20–40% and a range of small caps fell by 40–50% during the first three months of 2016, often despite progress with their research programs. In BB Biotech's view, the important milestones achieved have not generally been factored into company valuations yet. The team believes that these positive events presage upside as the biotech market recovers its poise.

Outlook

BB Biotech anticipates 2016 to remain volatile for biotechnology equities. Nevertheless, product approvals and read-outs rate from key clinical trials are expected to accelerate throughout the remainder of the year and offer the potential for significant growth in share price valuations. Important regulatory milestones anticipated for companies in BB Biotech's portfolio include:

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

- Intercept – obeticholic acid (OCA) for treating primary biliary cirrhosis
- Gilead – fix dose combination of Sofosbuvir/Velpatasvir for treating all genotypes of chronic hepatitis C viral infections
- Neurocrine – Valbenazine for treating patients suffering from tardive dyskinesia
- Radius – Abaloparatide-SC for the treatment of postmenopausal women with osteoporosis
- Medivation – label expansion for Xtandi for prostate cancer

Many important clinical trial results are also expected to impact company share prices, including:

- Tesaro – Niraparib, a PARP inhibitor for treating ovarian cancer patients and
- Clovis – Rucaparib, another PARP inhibitor for treating ovarian cancer patients
- Vertex – VX-661/ivacaftor combination for treating cystic fibrosis patients that are heterozygous for the F508 deletion
- Incyte – Epacadostat in multiple Phase II studies in combination with various PD1 antibodies for treating non-small cell lung cancer patients
- Celgene – Revlimid tested in the REMARC study for patients with diffuse large B-cell lymphoma
- Novavax – RSV vaccine Phase III data for elderly persons

Many more milestones are anticipated in 2016 and these are expected to support the strong fundamentals of the portfolio and the biotechnology sector.

With large pharmaceutical companies declaring their interest in M&A we may see increased consolidation with opportunities for favorable exit valuations for some biotech firms. In BB Biotech's view, such take-over activity, while inherent unpredictable in timing and targets, is likely to impact the biotech markets the most in the short term. The portfolio continues to focus on innovations leading to effective and efficient treatment options.

Participations as at March 31, 2016

Company	Number of securities	Change since 12/31/2015	Local currency	Share price	Market value in CHF mn	In % of securities	In % of share-holders' equity	In % of company
Celgene	3 609 298	–	USD	100.09	347.4	11.9%	13.4%	0.5%
Actelion	2 065 030	(135 643)	CHF	143.70	296.7	10.1%	11.4%	1.8%
Incyte	3 840 406	90 000	USD	72.47	267.7	9.1%	10.3%	2.1%
Ionis Pharmaceuticals	6 779 838	250 000	USD	40.50	264.1	9.0%	10.2%	5.6%
Gilead	2 774 596	–	USD	91.86	245.1	8.4%	9.4%	0.2%
Alexion Pharmaceuticals	1 034 428	–	USD	139.22	138.5	4.7%	5.3%	0.5%
Radius Health	4 360 399	88 259	USD	31.44	131.8	4.5%	5.1%	10.5%
Neurocrine Biosciences	3 121 552	–	USD	39.55	118.7	4.1%	4.6%	3.6%
Medivation	2 581 112	–	USD	45.98	114.1	3.9%	4.4%	1.6%
Novo Nordisk	2 175 757	(68 013)	DKK	355.20	113.5	3.9%	4.4%	0.1%
Vertex Pharmaceuticals	1 365 445	–	USD	79.49	104.4	3.6%	4.0%	0.6%
Agios Pharmaceuticals	2 159 921	–	USD	40.60	84.3	2.9%	3.2%	5.7%
Alnylam Pharmaceuticals	1 191 338	58 839	USD	62.77	71.9	2.5%	2.8%	1.4%
Regeneron Pharmaceuticals	205 000	–	USD	360.44	71.1	2.4%	2.7%	0.2%
Swedish Orphan Biovitrum	5 109 334	(300 000)	SEK	113.80	68.9	2.4%	2.7%	1.9%
Halozyme Therapeutics	7 379 832	350 000	USD	9.47	67.2	2.3%	2.6%	5.7%
Tesaro	1 229 582	–	USD	44.03	52.1	1.8%	2.0%	3.1%
Juno Therapeutics	1 305 000	–	USD	38.09	47.8	1.6%	1.8%	1.3%
Novavax	8 330 000	–	USD	5.16	41.3	1.4%	1.6%	3.1%
Alder Biopharmaceuticals	1 510 150	–	USD	24.49	35.6	1.2%	1.4%	3.5%
Cempra	2 041 900	50 000	USD	17.52	34.4	1.2%	1.3%	4.2%
Kite Pharma	750 000	–	USD	45.91	33.1	1.1%	1.3%	1.5%
Intercept Pharmaceuticals	255 719	–	USD	128.47	31.6	1.1%	1.2%	1.0%
Probiobdrug	1 050 784	–	EUR	24.20	27.8	0.9%	1.1%	14.1%
Sage Therapeutics	833 663	125 000	USD	32.06	25.7	0.9%	1.0%	2.6%
Esperion Therapeutics	1 008 542	100 000	USD	16.91	16.4	0.6%	0.6%	4.5%
Prothena Corp.	350 000	30 000	USD	41.16	13.9	0.5%	0.5%	1.0%
Infinity Pharmaceuticals	2 700 737	–	USD	5.27	13.7	0.5%	0.5%	5.5%
Puma Biotechnology	431 991	–	USD	29.37	12.2	0.4%	0.5%	1.3%
Clovis Oncology	528 188	–	USD	19.20	9.8	0.3%	0.4%	1.4%
Achillion Pharmaceuticals	1 279 340	–	USD	7.72	9.5	0.3%	0.4%	0.9%
Cidara Therapeutics	746 824	280 145	USD	12.70	9.1	0.3%	0.4%	5.4%
PTC Therapeutics	1 182 912	(120 000)	USD	6.44	7.3	0.3%	0.3%	3.5%
Radius Health warrants, 04/23/2018	107 114	–	USD	20.89	2.2	0.1%	0.1%	
Radius Health warrants, 02/19/2019	71 409	–	USD	22.14	1.5	0.1%	0.1%	
Merck & Co Inc contingent value rights – ex Trius/Cubist	545 927	–	USD	0.00	–	0.0%	0.0%	
Total securities					2 930.5	100.0%	112.8%	
Other assets					22.0		0.8%	
Other payables					(354.5)		(13.6%)	
Net asset value					2 597.9		100.0%	
BB Biotech registered shares ^{1) 2)}	3 856 840	301 275			176.8			6.5%

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

²⁾ Correspond to the total of all own shares held including the second trading line

Exchange rates as at 03/31/2016:

USD/CHF: 0.9617; DKK/CHF: 14.68810; EUR/CHF: 1.09477; SEK/CHF: 11.85010

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. These are primarily 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 strongly 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 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 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.

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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.

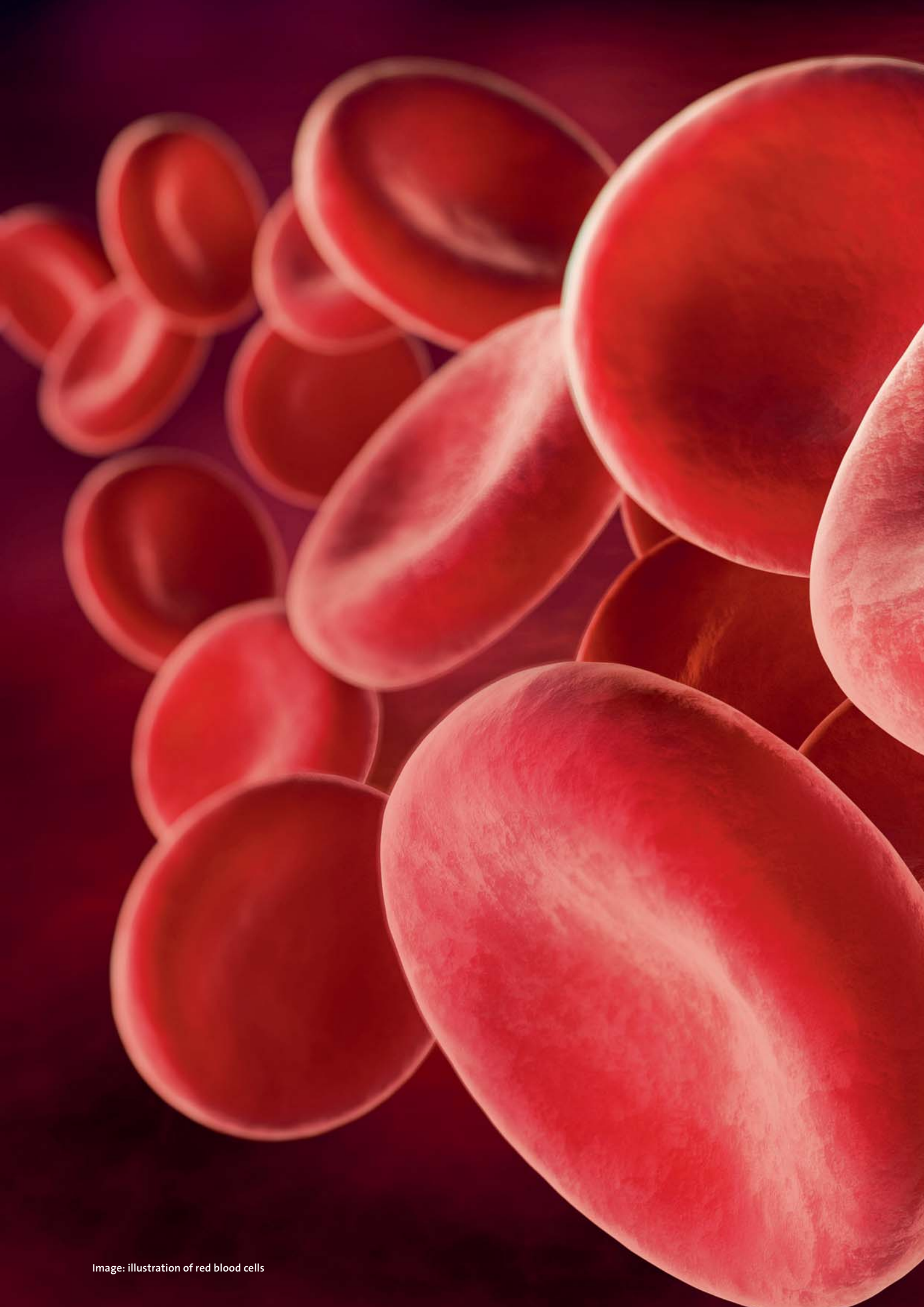


Image: illustration of red blood cells

Consolidated balance sheet

(in CHF 1 000)

	Notes	03/31/2016	12/31/2015
Current assets			
Cash and cash equivalents		16 219	21 059
Receivables from brokers		5 747	3 978
Securities at fair value through profit or loss	4	2 930 459	4 118 629
Other assets		7	1
		2 952 432	4 143 667
Total assets		2 952 432	4 143 667
Current liabilities			
Short-term borrowings from banks	5	350 000	160 000
Payables to brokers		868	1 198
Other short-term liabilities		3 397	4 068
Tax liabilities		219	243
		354 484	165 509
Total liabilities		354 484	165 509
Shareholders' equity			
Share capital	6	11 850	11 850
Treasury shares	6	(133 601)	(119 332)
Retained earnings		2 719 699	4 085 640
		2 597 948	3 978 158
Total liabilities and shareholders' equity		2 952 432	4 143 667
Net asset value per share in CHF ¹⁾		46.90	71.43

¹⁾ The five-for-one share split as at March 29, 2016, is accounted for in the previous year value.

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

The condensed consolidated interim financial statements were approved by the Board of Directors on April 19, 2016.

Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/–03/31/2016	01/01/–03/31/2015
Operating income			
Gains from marketable securities	4	–	391 669
Interest income		–	1
Dividend income		2 293	1 125
Other income		137	1 088
		2 430	393 883
Operating expenses			
Losses from marketable securities	4	(1 197 796)	–
Finance expenses		(214)	(38)
Foreign exchange losses net		(141)	(3 249)
Administrative expenses	7	(8 081)	(9 197)
Other expenses		(1 673)	(2 020)
		(1 207 905)	(14 504)
Operating income before tax	8	(1 205 475)	379 379
Income taxes		(7)	(7)
Net income for the period		(1 205 482)	379 372
Total comprehensive income for the period		(1 205 482)	379 372
Income per share in CHF ¹⁾		(21.75)	6.75
Diluted income per share in CHF ¹⁾		(21.74)	6.75

¹⁾ The five-for-one share split as at March 29, 2016, is accounted for in the previous year value.

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Consolidated statement of changes in equity

(in CHF 1 000)

	Share capital	Treasury shares	Retained earnings	Total
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)	–	(36 901)	365	(36 536)
Share-based remuneration	–	–	29	29
Total comprehensive income for the period	–	–	379 372	379 372
Balances at March 31, 2015	11 850	(114 571)	3 808 032	3 705 311
Balances at January 1, 2016	11 850	(119 332)	4 085 640	3 978 158
Cash distribution/dividend	–	–	(160 489)	(160 489)
Trade with treasury shares (incl. change in balance)	–	(14 269)	1	(14 268)
Share-based remuneration	–	–	29	29
Total comprehensive income for the period	–	–	(1 205 482)	(1 205 482)
Balances at March 31, 2016	11 850	(133 601)	2 719 699	2 597 948

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

Consolidated statement of cash flow

(in CHF 1 000)

	Notes	01/01/–03/31/2016	01/01/–03/31/2015
Cash flows from operating activities			
Proceeds from sales of securities	4	36 983	397 244
Purchase of securities	4	(50 379)	(212 539)
Dividend receipts		2 293	1 125
Interest receipts		–	1
Payments for services		(10 271)	(9 047)
Income taxes paid		(22)	(39)
Total cash flows from operating activities		(21 396)	176 707
Cash flows from financing activities			
Cash distribution/dividend		(160 489)	(130 079)
Proceeds from sales of treasury shares	6	22 409	20 780
Purchase of treasury shares	6	(35 009)	(61 903)
Borrowing of bank loans	5	190 000	–
Interest payments		(214)	(38)
Total cash flows from financing activities		16 697	(171 240)
Foreign exchange difference		(141)	(3 249)
Change in cash and cash equivalents		(4 840)	2 256
Cash and cash equivalents at the beginning of the period		21 059	8 968
Cash and cash equivalents at the end of the period		16 219	11 224
Cash and cash equivalents		16 219	11 224
Cash and cash equivalents at the end of the period		16 219	11 224

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

1. The Company and its principal activity

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

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

2. Accounting policies

The condensed consolidated interim financial statements of the Company and its subsidiary companies (the Group) have been prepared in accordance with International Accounting Standards (IAS) 34 “Interim Financial Reporting,” as well as the provisions of the rules of the SIX Swiss Exchange for Investment Companies and should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2015. The preparation of the condensed consolidated interim financial statements requires management to make assumptions and estimates that have an impact on the balance sheet values and items of the statement of comprehensive income in the current financial period. In certain circumstances, the actual values may diverge from these estimates.

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the consolidated annual financial statements.

The following amendments to published standards, valid since January 1, 2016, have been applied in these condensed consolidated interim financial statements:

- 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
- 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 revised standards. Based on the analysis, including 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 final assessment of the amendment to IFRS 10 concluded that the subsidiaries should still be consolidated, contrary to the initial analysis.

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

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

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

3. Financial risk management

Currency risk

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

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

Currency	03/31/2016	12/31/2015
USD	0.96170	1.00200
EUR	1.09477	1.08774
DKK	14.68810	14.58210
SEK	11.85010	11.86850

Fair values

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

2016/03/31	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Derivative instruments	–	3 672	–	3 672
– Listed shares	2 926 787	–	–	2 926 787
Total assets	2 926 787	3 672	–	2 930 459
2015/12/31				
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

At March 31, 2016, and December 31, 2015, the Group holds no level 3 instruments.

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

4. Financial assets

Marketable securities

Marketable securities comprise the following:

Company	Number 12/31/2015	Change	Number 03/31/2016	Market price in original currency		Valuation CHF mn 03/31/2016	Valuation CHF mn 12/31/2015
Celgene	3 609 298	–	3 609 298	USD	100.09	347.4	433.1
Actelion	2 200 673	(135 643)	2 065 030	CHF	143.70	296.7	307.2
Incyte	3 750 406	90 000	3 840 406	USD	72.47	267.7	407.5
Ionis Pharmaceuticals	6 529 838	250 000	6 779 838	USD	40.50	264.1	405.2
Gilead	2 774 596	–	2 774 596	USD	91.86	245.1	281.3
Alexion Pharmaceuticals	1 034 428	–	1 034 428	USD	139.22	138.5	197.7
Radius Health	4 272 140	88 259	4 360 399	USD	31.44	131.8	263.4
Neurocrine Biosciences	3 121 552	–	3 121 552	USD	39.55	118.7	176.9
Medivation	2 581 112	–	2 581 112	USD	45.98	114.1	125.0
Novo Nordisk	2 243 770	(68 013)	2 175 757	DKK	355.20	113.5	130.8
Vertex Pharmaceuticals	1 365 445	–	1 365 445	USD	79.49	104.4	172.2
Agios Pharmaceuticals	2 159 921	–	2 159 921	USD	40.60	84.3	140.5
Alnylam Pharmaceuticals	1 132 499	58 839	1 191 338	USD	62.77	71.9	106.8
Regeneron Pharmaceuticals	205 000	–	205 000	USD	360.44	71.1	111.5
Swedish Orphan Biovitrum	5 409 334	(300 000)	5 109 334	SEK	113.80	68.9	86.4
Halozyme Therapeutics	7 029 832	350 000	7 379 832	USD	9.47	67.2	122.1
Tesaro	1 229 582	–	1 229 582	USD	44.03	52.1	64.5
Juno Therapeutics	1 305 000	–	1 305 000	USD	38.09	47.8	57.5
Novavax	8 330 000	–	8 330 000	USD	5.16	41.3	70.0
Alder Biopharmaceuticals	1 510 150	–	1 510 150	USD	24.49	35.6	50.0
Cempra	1 991 900	50 000	2 041 900	USD	17.52	34.4	62.1
Kite Pharma	750 000	–	750 000	USD	45.91	33.1	46.3
Intercept Pharmaceuticals	255 719	–	255 719	USD	128.47	31.6	38.3
Probiodrug	1 050 784	–	1 050 784	EUR	24.20	27.8	28.3
Sage Therapeutics	708 663	125 000	833 663	USD	32.06	25.7	41.4
Esperion Therapeutics	908 542	100 000	1 008 542	USD	16.91	16.4	20.3
Prothena Corp.	320 000	30 000	350 000	USD	41.16	13.9	21.8
Infinity Pharmaceuticals	2 700 737	–	2 700 737	USD	5.27	13.7	21.2
Puma Biotechnology	431 991	–	431 991	USD	29.37	12.2	33.9
Clovis Oncology	528 188	–	528 188	USD	19.20	9.8	18.5
Achillion Pharmaceuticals	1 279 340	–	1 279 340	USD	7.72	9.5	13.8
Cidara Therapeutics	466 679	280 145	746 824	USD	12.70	9.1	8.0
PTC Therapeutics	1 302 912	(120 000)	1 182 912	USD	6.44	7.3	42.3
Tetraphase Pharmaceuticals	366 203	(366 203)	–	USD	n.a.	–	3.7
Listed shares						2 926.8	4 109.8
Total shares						2 926.8	4 109.8
Radius Health, warrants, USD 14, 04/23/2018	107 114	–	107 114	USD	20.89	2.2	5.2
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD	22.14	1.5	3.6
Merck & Co Inc contingent value rights – ex Trius/Cubist	545 927	–	545 927	USD	0.00	–	–
Total derivative instruments						3.7	8.8
Total securities at fair value through profit or loss						2 930.5	4 118.6

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

	Listed shares	Derivative instruments	Total
Opening balance as at 01/01/2015 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
Opening balance as at 01/01/2016 at fair values	4 109 821	8 808	4 118 629
Purchases	50 048	–	50 048
Sales	(40 422)	–	(40 422)
Realized gains	176	–	176
Realized losses	(5 499)	–	(5 499)
Unrealized gains	8 900	–	8 900
Unrealized losses	(1 196 238)	(5 136)	(1 201 374)
Net gains/(losses) from securities	(1 192 661)	(5 136)	(1 197 796)
Closing balance as at 03/31/2016 at fair values	2 926 787	3 672	2 930 459

5. Short-term borrowings from banks

At March 31, 2016, a CHF 350 mn short-term loan is outstanding with interest payable at 0.40% p.a. (December 31, 2015: CHF 160 mn at 0.40% p.a.).

6. Shareholders' equity

The share capital of the Company consists of 59.25 mn fully paid registered shares (December 31, 2015: 11.85 mn) with a par value of CHF 0.20 each (December 31, 2015: CHF 1). At the General Shareholders' Meeting held March 17, 2016, a five-for-one share split was approved.

At the General Shareholders' Meeting held March 17, 2016, a resolution was approved to reduce the Company's share capital by CHF 770 000 to a level of CHF 11 080 000. Due to the statutory requirement relating to the call for filing of claims, the withdrawal of the shares from the commercial register can be completed in the second quarter 2016 at earliest. Until such time, the shares to be cancelled will remain on the books of BB Biotech AG.

In addition, the General Shareholders' Meeting held March 17, 2016, has approved a share buy-back program, whereby up to 5 540 000 shares may be repurchased by the Company. It is planned to start the share buy-back program in April 2016.

From January 1, 2016, through March 31, 2016, 722 065 shares were purchased at an average price of CHF 48.48 and 420 790 shares were sold at an average price of CHF 49.28 (01/01–03/31/2015: Purchase of 1 107 155 shares at an average price of CHF 56.422/Sale of 480 000 shares at an average price of CHF 54.022). The five-for-one share split as at March 29, 2016, is accounted for in these values.

7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–03/31/2016	01/01–03/31/2015
Fund manager		
– Management fees (incl. VAT)	7 797	8 929
Personnel		
– Board of Directors remuneration	257	257
– Wages and salaries	14	–
– Social insurance contributions and duties	13	11
	8 081	9 197

The remuneration model of BB Biotech AG is determined by the Board of Directors. Since 2014 the remuneration paid to the asset manager is based upon a 1.1% all-in fee on the average market capitalization without any additional fixed or performance-based elements of compensation. The compensation of the Board of Directors consists since 2014 of a fixed compensation in the amount of CHF 957 per annum.

At the General Shareholders' Meeting held March 19, 2014, the variable, share based remuneration of the Board of Directors for the business year 2013 was approved. Therefore, the vesting period of the performance based remuneration runs until March 18, 2017. In the current period, CHF 29 (01/01/–03/31/2015: CHF 29) have been recognized for equity compensation plans.

8. Segment information

(in CHF 1 000)

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

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

Operating income before tax	01/01/–03/31/2016	01/01/–03/31/2015
Switzerland	6 962	(8 230)
Germany	(444)	(3 304)
Curaçao	(7 992)	(9 419)
Ireland	(9 649)	–
Denmark	(11 751)	19 908
Sweden	(13 597)	1 162
USA	(1 169 004)	379 262
	(1 205 475)	379 379

9. Assets pledged

At March 31, 2016, the securities in the amount of CHF 2 408.5 mn (December 31, 2015: CHF 3 405.9 mn) are a collateral for a credit line of CHF 400 mn (December 31, 2015: CHF 350 mn). At March 31, 2016, a CHF 350 mn short-term loan is outstanding (December 31, 2015: CHF 160 mn).

10. Related party transactions

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

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

The Group had no commitments or other off-balance sheet transactions open at March 31, 2016 (December 31, 2015: 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 March 31, 2016, no proceedings existed which could have any material effect on the financial position of the Group (December 31, 2015: none).

12. Significant shareholders

The Board of Directors is aware of the following significant shareholder:

Voting rights in %	03/31/2016	12/31/2015
Lazard Asset Management LLC, New York, USA	3.53	3.53

13. Subsequent events

There have been no further events subsequent to March 31, 2016, which would affect the condensed consolidated interim financial statements.



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

Introduction

We have reviewed the condensed consolidated interim financial statements (balance sheet, statement of comprehensive income, statement of cash flow, statement of changes in equity and selected explanatory notes, pages 8 to 16) of BB Biotech AG for the period ended 31 March 2016. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting” and article 14 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers AG

Adrian Keller
Audit expert
Auditor in charge

Martin Gubler
Audit expert

Zürich, 20 April 2016

Company profile

BB Biotech 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 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 March 31, 2016

Foundation:	November 9, 1993; Schaffhausen, Switzerland
Issue price adj. November 15, 1993:	CHF 4.752
Official listing:	December 27, 1993 in Switzerland; December 10, 1997 in Germany; October 19, 2000 in Italy
Share structure:	CHF 11.85 mn nominal, 59 250 000 registered shares with a par value of CHF 0.20
Shareholders, free float:	Institutional and private investors 93,5% free float (6,5% treasury shares held on second trading line)
Security number Switzerland:	3 838 999
Security number in Germany and Italy:	AoNFN3
ISIN:	CH0038389992

Shareholder information

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

Quotes and reports

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

Corporate calendar 2016

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 interim 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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