



Interim Report as at June 30, 2016

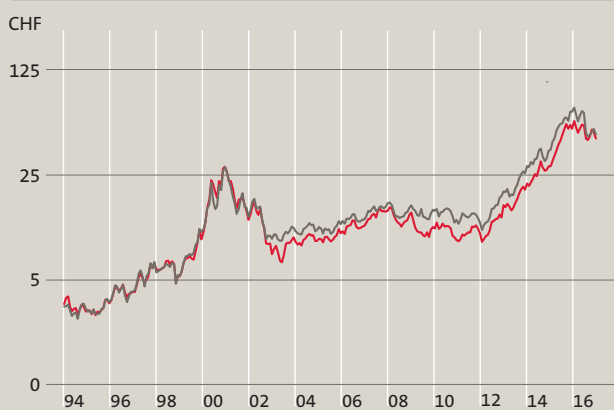
B|B Biotech

Multi-year comparison

	06/30/2016	2015	2014	2013	2012
Market capitalization at the end of the period (in CHF mn)	2 642.6	3 463.2	2 799.0	1 668.5	1 150.5
Net Asset Value at the end of the period (in CHF mn)	2 621.3	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)	2 026.4	6 265.2	3 186.6	1 289.3	948.9
Profit/(loss) (in CHF mn)	(1 169.9)	652.8	1 470.1	931.8	367.8
Closing price at the end of the period in CHF ¹⁾	44.60	58.45	47.24	28.16	17.70
Closing price (G) at the end of the period in EUR ¹⁾	41.41	53.99	39.60	23.04	14.51
Closing price (I) at the end of the period in EUR ¹⁾	41.27	54.18	39.34	23.08	14.58
Stock performance (incl. distributions)	(18.8%)	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)	(4.5%)	(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)	112.6%	101.0%	104.6%	104.5%	109.0%
Total Expense Ratio (TER) p.a.	1.19%	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, 06/30/2016

Top 10 positions as at June 30, 2016

Celgene	11.8%
Incyte	10.2%
Actelion	9.3%
Gilead	7.7%
Ionis Pharmaceuticals	5.5%
Radius Health	5.3%
Neurocrine Biosciences	4.7%
Alexion Pharmaceuticals	4.6%
Vertex Pharmaceuticals	4.0%
Novo Nordisk	4.0%

Breakdown by sector as at June 30, 2016

Oncology	38.4%
Infectious diseases	15.4%
Orphan diseases	14.3%
Metabolic diseases	10.9%
Cardiovascular diseases	9.7%
Neurological diseases	9.0%
Others	2.3%

Performance (adjusted for distributions, in local currency)

As of 06/30/2016	YTD	3 years	5 years	11/15/93
Switzerland	-18.8%	+126.2%	+318.0%	+1357.0%
Germany	-18.4%	+157.1%	+374.3%	N.A.
Italy	-19.0%	+155.7%	+370.4%	N.A.

Breakdown by currency as at June 30, 2016

USD	84.2%
CHF	9.3%
DKK/SEK	5.8%
EUR	0.7%

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Picture: Molecule of a DNA cell

Dear shareholders

The global equity markets showed continued volatility in Q2 2016. The US Federal Reserve Bank's decision to defer again interest rate increases and the UK referendum to leave the European Union were notable. Overall market performance for Q2 2016 was mixed. Positive total returns were recorded for the S&P 500 of 2.5% in USD, European indices such as the DAX showed negative 2.9% performance in EUR, the SMI was positive 4.7% in CHF, and the Nasdaq Biotechnology Index NBI more or less stable with negative 1.1% in USD.

The disconnect in value between strong progress reported in biotechnology relative to the equity market valuation continued to widen. Biotechnology stocks have underperformed general equity markets by around 20% since January 2016. The following can be summarized for the biotech sector in 2016:

- Valuations for biotech blue chip companies have fallen to previous lows of 2010/11, trading significantly below large pharmaceutical company multiples and below the average S&P multiple. Many small and midsized market cap biotech firms continue to trade at record low pipeline valuations.
- Healthcare reform discussions continue, and the drug industry has become more assertive about new product value propositions. The US presidential election process will highlight payer complexities of the US healthcare system and continue to rattle investors.
- Payer recalcitrance continues to impair the pace of new product launches such as the PCSK9 antibodies Praluent and Repatha for hypercholesterolemia. Future launches will face similar pushback on price and volume.
- Investor's fund flows were negative in January and February 2016 but have begun to stabilize in recent months. Large asset managers reduced biotechnology holdings in the second half of 2015 and in 2016, but overall pressure diminished in the second, compared to the arduous first quarter 2016.
- Positive biotech pipeline news was only recently reflected in equity gains. This is encouraging compared to the first quarter 2016, when good news hardly moved the needle.

It was therefore appropriate that BB Biotech's strategy meeting in June included an expert panel on global drug pricing and reimbursement trends. Encouragingly, genuine innovation is anticipated to command premium pricing as long as innovators address market price realities. Experts believe that innovation continues as the strongest foundation for attractive prices. Health economic arguments are also gaining in importance and can help solve the equation of payer profitability – which remains

their first priority. BB Biotech continues to monitor the political and legal landscape for healthcare reforms and changes but expects incremental rather than dramatic change particularly in the US.

Strong progress by many of the portfolio holdings was evident once more. At several companies this progress was not adequately reflected in equity valuations. Conversely, two negative news events were associated with sharp share price reactions. However, BB Biotech believes the share price corrections of Ionis and Agios in connection with clinical news were overreactions. Furthermore, new investment candidates were identified in the small- and mid-cap category with attractive investment cases and which have the potential to develop into highly valued biotech companies in the future.

BB Biotech Q2 2016 and H1 2016 performance

For the second quarter 2016, BB Biotech's share return was -2.7% in CHF and -1.2% in EUR while the NAV gained +1.4% in CHF and +2.3% in EUR. The resulting gain for Q2 2016 was to CHF 36 mn.

For the first six months of 2016, BB Biotech's total share return was -18.8% in CHF and -18.4% in EUR. The total return for the NAV for the same period was -29.1% in CHF and -28.9% in EUR, corresponding to a net loss of CHF 1 170 mn.

BB Biotech investment leverage remained in double digits with an investment grade of 112.3% by end of June 2016. The year 2016 began with the fund 103.5% invested, by March 31 it was 112.8%.

BB Biotech's portfolio continued to deliver milestones

Net asset value began to stabilize – outperforming the biotech industry benchmark in the second quarter – while still slightly behind that benchmark year-to-date. Clinical trial results, product approvals, launches and one M&A announcement contributed to positive results in the second quarter. The NAV was pushed back by news of unexpected adverse events reported for two of Ionis' late-stage pipeline assets and also by Infinity's Pizk inhibitor Duvelisib data which investors rated as underwhelming.

Other company news items were reported. Gilead received multiple product approvals for products in its leading HIV and HCV franchises. Both the US FDA and the European Agency EMEA approved the fixed-dose combination product Descovy (Emtricitabine, TAF) for treating HIV patients in April 2016. Gilead's HIV franchise was further strengthened with the positive CHMP opinion for Odefsey (Emtricitabine, Rilpivirine, TAF). Gilead also received US approval for Epclusa (Sofosbuvir, Velpatasvir) and a positive CHMP opinion for Epclusa. Despite these signifi-

cant successes, Gilead's share price declined further in the second quarter as Q1 2016 financial results were below market expectations and investors continued to fret about the trajectory and longevity of the company's HCV business.

Actelion was granted European marketing authorization for Upravi to treat PAH patients in the second quarter. We believe this further strengthens the company. Intercept was granted accelerated approval for Ocaliva (obeticholic acid) for the treatment of patients with PBC (primary biliary cirrhosis) by the FDA. Swedish Orphan Biovitrum was granted EU approval for Alprolix, a recombinant Factor IX-Fc for the treatment of hemophilia B. In contrast to these positive regulatory events, Clovis terminated development of Rociletinib in lung cancer after receiving a complete response letter from the FDA.

Both Radius and Cempra made progress with lead assets. Radius submitted a new drug application (NDA) for Abaloparatide-SC for the treatment of postmenopausal women with osteoporosis. The submission was accepted for filing by the FDA and an approval decision is expected in early 2017. Also during the second quarter, Cempra submitted its NDA for Solithromycin for the treatment of community-acquired bacterial pneumonia in the US and Europe.

Late-stage clinical trial results lifted market sentiment during the second quarter. Tesaro doubled in market valuation after announcing strong Phase III data for Niraparib – a new class of anti-cancer drugs called PARP inhibitors in specific types of ovarian cancer. The trial met its primary endpoint of improved progression-free survival in the germline BRCA mutant cohort and in the non-germline BRCA mutant cohort, including both the HRD-positive and overall analysis populations. Tesaro plans to submit regulatory applications in the US and Europe later in 2016.

Regeneron and its partner Sanofi announced positive Dupilumab data in patients with inadequately controlled moderate-to-severe atopic dermatitis.

Alexion did not reach statistical significance for the primary efficacy endpoint with Soliris in patients with refractory generalized myasthenia gravis (gMG). Alexion's share price fell as investors registered concerns over long-term growth of Soliris.

Infinity announced results for its PI3K inhibitor Duvelisib in patients with refractory indolent non-Hodgkin lymphoma. An overall response rate of 46%, all partial responders, is not considered competitive compared to other treatment options. Abbvie consequently returned worldwide marketing rights for Duvelisib.

Unexpected safety findings for Ionis' two late-stage pipeline candidates IONIS-TTRx and Volanesorsen resulted in a sharp decline in the company's valuation. While time will tell, BB Biotech regarded this as an overreaction by a sensitive biotech market.

Agios presented promising early-stage data for AG-348 in PK deficient patients.

Acquisition news played a minor role for BB Biotech's portfolio. Although large pharma and biotechnology companies emphasized their appetite for acquisitions at current low prices, none has yet landed a transaction. Sanofi offered USD 52 per share for Medivation in late April 2016. The company and the market was not impressed, but this story is anticipated to play out – Medivation has traded around USD 60 per share since the hostile takeover offer – and recently another buyer made a potentially better offer. BB Biotech will follow the situation closely.

Portfolio changes

Careful adjustments were made to the portfolio during the second quarter of 2016. Infinity and Clovis were sold off. Three new small and mid-sized companies were added to the portfolio.

- Intra-Cellular Therapies is developing the lead molecule ITI-007 for the treatment of schizophrenia, bipolar disorder and behavioral disturbances in dementia. ITI-007 is an improved 5-HT_{2A} serotonin receptor antagonist, designed to offer similar efficacy but improved tolerability profile compared to established drugs of the same class. The company has announced one positive Phase 3 study for schizophrenia, and a second Phase III trial is expected to readout in the third quarter of 2016.
- MacroGenics is an antibody technology company developing effector function improved antibodies and a novel platform called DART (Dual-Affinity-Re-Targeting) which offers potential for the efficient development of bispecific antibodies. This platform has been partially validated through multiple partnerships with major pharma companies.
- Tobira Therapeutics is developing Cenicriviroc, a dual CCR2 and CCR5 antagonist for treating patients with nonalcoholic steatohepatitis or NASH – a common, often "silent" liver disease. The company has a large Phase II study ongoing with data readout expected later in 2016.

Outlook for the sector and the portfolio

BB Biotech anticipates further volatility of biotechnology equities in 2016. Nevertheless, product approvals and readouts from key clinical trials offer the potential for significant growth in valuations for the rest of 2016 and into 2017. Important regulatory and

clinical trial milestones anticipated for companies in BB Biotech's portfolio include:

- Neurocrine – Valbenazine for patients with tardive dyskinesia
- Radius – Abaloparatide-SC for postmenopausal women with osteoporosis
- Medivation – label expansion for Xtandi for treating pre-chemo prostate cancer-patients

In addition, important clinical trial results are expected, including

- Vertex – VX/661/Ivacaftor combination for treating cystic fibrosis patients that are heterozygous for the F508 deletion
- Incyte – Epcadostat in multiple Phase II studies in combination with various PD1 and PDL1 antibodies
- Celgene – Revlimid tested in the REMARC study for patients with diffuse large B-cell lymphoma
- Novavax – RSV vaccine Phase III study for the elderly
- Intra-Cellular – ITI-007 Phase III study for schizophrenia patients

- Tobira – Cenicriviroc Phase II for NASH patients
- Sage – SAGE-547 with a Phase III study for superrefractory status epilepticus in Q4 2016 and a Phase II study for postpartum depression in Q3 2016

These and other milestones are anticipated to support the strong fundamentals of BB Biotech's portfolio specifically and the biotechnology sector in general. With one of the weakest half year results now behind it, BB Biotech expects a return to growth from its portfolio holdings in the coming quarters and for FY 2016 as a whole. With many large pharmaceutical and biotechnology companies declaring interest in M&A, industry consolidation and opportunities for attractive exit prices could increase. However, BB Biotech's strategy remains focused on biotech companies offering innovation which promises to expand treatment options for important human diseases and to improve health outcomes significantly.

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

The Board of Directors of BB Biotech AG



Dr. Erich Hunziker, Chairman



Dr. Clive Meanwell



Prof. Dr. Dr. Klaus Strein

Participations as at June 30, 2016

Company	Number of securities	Change since 12/31/2015	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Celgene	3 609 298	–	USD	98.63	347.4	11.8%	13.3%	0.5%
Incyte	3 840 406	90 000	USD	79.98	299.8	10.2%	11.4%	2.0%
Actelion	1 686 871	(513 802)	CHF	163.20	275.3	9.3%	10.5%	1.5%
Gilead	2 774 596	–	USD	83.42	225.9	7.7%	8.6%	0.2%
Ionis Pharmaceuticals	7 104 838	575 000	USD	23.29	161.5	5.5%	6.2%	5.9%
Radius Health	4 360 399	88 259	USD	36.75	156.4	5.3%	6.0%	10.5%
Neurocrine Biosciences	3 121 552	–	USD	45.45	138.5	4.7%	5.3%	3.6%
Alexion Pharmaceuticals	1 179 428	145 000	USD	116.76	134.4	4.6%	5.1%	0.5%
Vertex Pharmaceuticals	1 415 445	50 000	USD	86.02	118.8	4.0%	4.5%	0.6%
Novo Nordisk	2 260 757	16 987	DKK	358.10	118.0	4.0%	4.5%	0.1%
Medivation	1 991 112	(590 000)	USD	60.30	117.2	4.0%	4.5%	1.2%
Agios Pharmaceuticals	2 363 321	203 400	USD	41.90	96.6	3.3%	3.7%	6.2%
Tesaro	1 154 582	(75 000)	USD	84.05	94.7	3.2%	3.6%	2.5%
Regeneron Pharmaceuticals	205 000	–	USD	349.23	69.9	2.4%	2.7%	0.2%
Alnylam Pharmaceuticals	1 191 338	58 839	USD	55.49	64.5	2.2%	2.5%	1.4%
Halozyme Therapeutics	7 379 832	350 000	USD	8.63	62.2	2.1%	2.4%	5.7%
Novavax	8 330 000	–	USD	7.27	59.1	2.0%	2.3%	3.1%
Swedish Orphan Biovitrum	4 509 334	(900 000)	SEK	102.80	53.5	1.8%	2.0%	1.7%
Juno Therapeutics	1 305 000	–	USD	38.44	49.0	1.7%	1.9%	1.2%
Alder Biopharmaceuticals	1 685 150	175 000	USD	24.97	41.1	1.4%	1.6%	3.4%
Kite Pharma	750 000	–	USD	50.00	36.6	1.2%	1.4%	1.5%
Intercept Pharmaceuticals	255 719	–	USD	142.68	35.6	1.2%	1.4%	1.0%
Cempra	2 041 900	50 000	USD	16.49	32.9	1.1%	1.3%	4.2%
Intra-Cellular Therapies	700 000	700 000	USD	38.82	26.5	0.9%	1.0%	1.6%
Sage Therapeutics	850 639	141 976	USD	30.13	25.0	0.8%	1.0%	2.7%
Probiobdrug	1 050 784	–	EUR	18.55	21.1	0.7%	0.8%	14.1%
Macrogenics	520 000	520 000	USD	26.99	13.7	0.5%	0.5%	1.5%
Puma Biotechnology	431 991	–	USD	29.79	12.6	0.4%	0.5%	1.3%
Prothena Corp.	350 000	30 000	USD	34.96	11.9	0.4%	0.5%	1.0%
Achillion Pharmaceuticals	1 279 340	–	USD	7.80	9.7	0.3%	0.4%	0.9%
Esperion Therapeutics	1 008 542	100 000	USD	9.88	9.7	0.3%	0.4%	4.5%
PTC Therapeutics	1 182 912	(120 000)	USD	7.02	8.1	0.3%	0.3%	3.5%
Cidara Therapeutics	746 824	280 145	USD	10.31	7.5	0.3%	0.3%	5.4%
Tobira Therapeutics	468 000	468 000	USD	12.56	5.7	0.2%	0.2%	2.5%
Radius Health warrants, 04/23/2018	107 114	–	USD	25.37	2.7	0.1%	0.1%	
Radius Health warrants, 02/19/2019	71 409	–	USD	26.69	1.9	0.1%	0.1%	
Merck & Co Inc contingent value rights - ex Trius/Cubist	545 927	–	USD	0.00	–	0.0%	0.0%	
Total securities					2 945.0	100.0%	112.3%	
Other assets					32.8		1.3%	
Other payables					(356.5)		(13.6%)	
Net asset value					2 621.3		100.0%	
BB Biotech registered shares ^{1) 2)}	4 121 838	566 273			183.9			7.0%

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 06/30/2016:

USD/CHF: 0.9760; DKK/CHF: 14.57590; EUR/CHF: 1.08401; SEK/CHF: 11.53770

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. An average annual double-digit return 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.

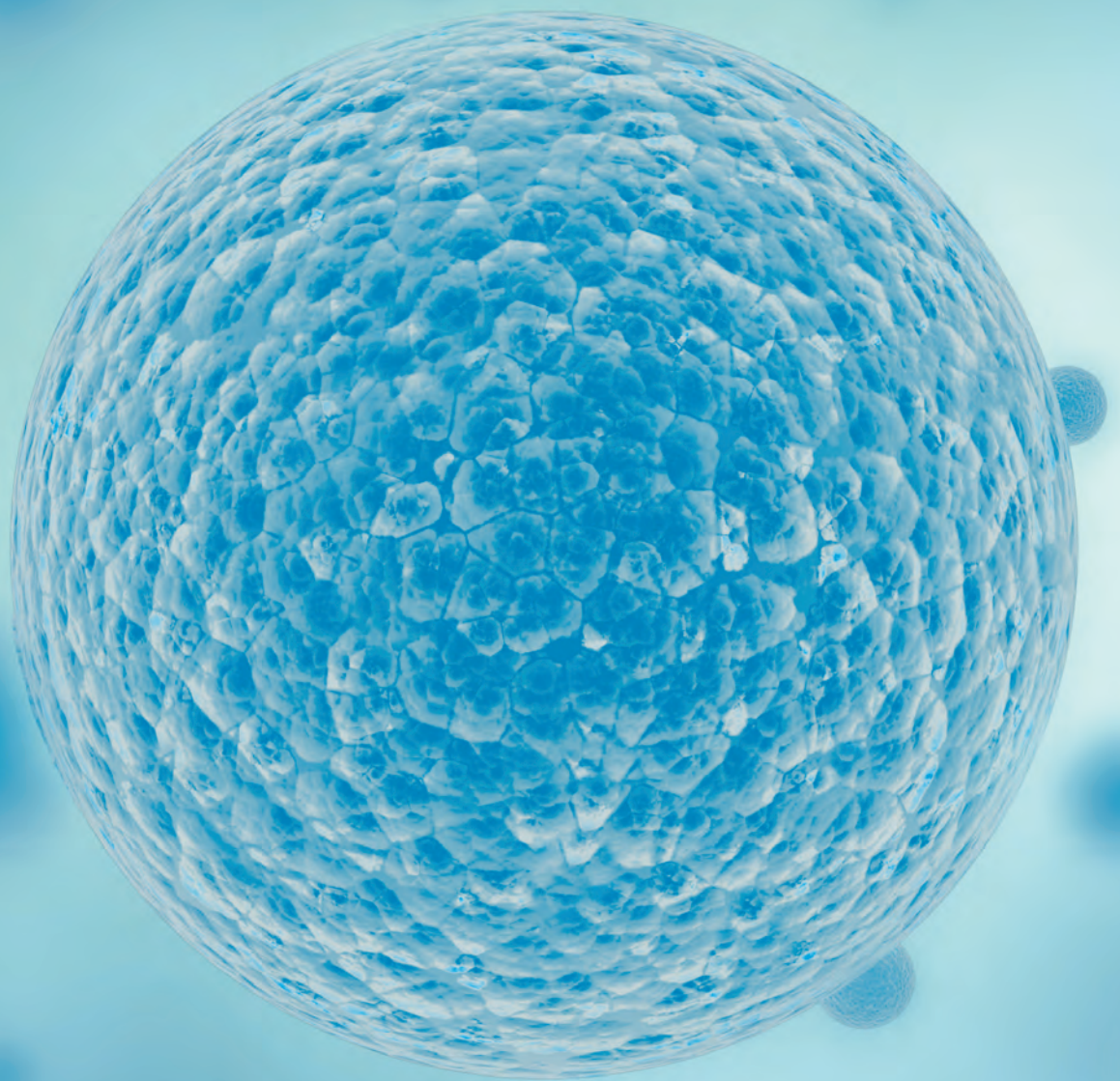


Image: illustration of a virus particle

Consolidated balance sheet

(in CHF 1 000)

	Notes	06/30/2016	12/31/2015
Current assets			
Cash and cash equivalents		13 280	21 059
Receivables from brokers		19 435	3 978
Securities at fair value through profit or loss	4	2 945 013	4 118 629
Other assets		140	1
		2 977 868	4 143 667
Total assets		2 977 868	4 143 667
Current liabilities			
Short-term borrowings from banks	5	345 000	160 000
Payables to brokers		8 430	1 198
Other short-term liabilities		3 027	4 068
Tax liabilities		84	243
		356 541	165 509
Total liabilities		356 541	165 509
Shareholders' equity			
Share capital	6	11 850	11 850
Treasury shares	6	(145 816)	(119 332)
Retained earnings		2 755 293	4 085 640
		2 621 327	3 978 158
Total liabilities and shareholders' equity		2 977 868	4 143 667
Net asset value per share in CHF ¹⁾		47.55	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 July 19, 2016.

Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/-06/30/2016	01/01/-06/30/2015	04/01/-06/30/2016	04/01/-06/30/2015
Operating income					
Gains from marketable securities	4	–	735 769	41 016	344 100
Interest income		–	1	–	–
Dividend income		6 169	5 020	3 876	3 895
Foreign exchange gains net		–	–	–	143
Other income		137	1 088	–	–
		6 306	741 878	44 892	348 138
Operating expenses					
Losses from marketable securities	4	(1 156 780)	–	–	–
Finance expenses		(544)	(63)	(330)	(25)
Foreign exchange losses net		(173)	(3 106)	(32)	–
Administrative expenses	7	(16 210)	(18 844)	(8 129)	(9 647)
Other expenses		(2 518)	(3 031)	(845)	(1 011)
		(1 176 225)	(25 044)	(9 336)	(10 683)
Operating income before tax	8	(1 169 919)	716 834	35 556	337 455
Income taxes		(15)	(15)	(8)	(8)
Net income for the period		(1 169 934)	716 819	35 548	337 448
Total comprehensive income for the period		(1 169 934)	716 819	35 548	337 448
Income per share in CHF ¹⁾		(21.13)	12.81	0.64	6.01
Diluted income per share in CHF ¹⁾		(21.12)	12.81	0.64	6.00

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)	–	(43 649)	394	(43 255)
Share-based remuneration	–	–	59	59
Total comprehensive income for the period	–	–	716 819	716 819
Balances at June 30, 2015	11 850	(121 319)	4 145 538	4 036 069
Balances at January 1, 2016	11 850	(119 332)	4 085 640	3 978 158
Cash distribution/dividend	–	–	(160 489)	(160 489)
Trade with treasury shares (incl. change in balance)	–	(26 484)	17	(26 467)
Share-based remuneration	–	–	59	59
Total comprehensive income for the period	–	–	(1 169 934)	(1 169 934)
Balances at June 30, 2016	11 850	(145 816)	2 755 293	2 621 327

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

Consolidated statement of cash flow

(in CHF 1 000)

	Notes	01/01/-06/30/2016	01/01/-06/30/2015
Cash flows from operating activities			
Proceeds from sales of securities	4	143 579	749 053
Purchase of securities	4	(136 640)	(406 649)
Dividend receipts		6 169	5 020
Interest receipts		–	1
Payments for services		(19 712)	(20 069)
Income taxes paid		(171)	(35)
Total cash flows from operating activities		(6 775)	327 321
Cash flows from financing activities			
Cash distribution/dividend		(160 489)	(130 079)
Proceeds from sales of treasury shares	6	22 730	59 870
Purchase of treasury shares	6	(47 528)	(99 996)
Borrowing/(repayment) of bank loans	5	185 000	(30 000)
Interest payments		(544)	(63)
Total cash flows from financing activities		(831)	(200 268)
Foreign exchange difference		(173)	(3 106)
Change in cash and cash equivalents		(7 779)	123 947
Cash and cash equivalents at the beginning of the period		21 059	8 968
Cash and cash equivalents at the end of the period		13 280	132 915
Cash and cash equivalents		13 280	132 915
Cash and cash equivalents at the end of the period		13 280	132 915

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	06/30/2016	12/31/2015
USD	0.97600	1.00200
EUR	1.08401	1.08774
DKK	14.57590	14.58210
SEK	11.53770	11.86850

Fair values

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

2016/06/30	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Listed shares	2 940 500	–	–	2 940 500
– Derivative instruments	–	4 513	–	4 513
Total assets	2 940 500	4 513	–	2 945 013
2015/12/31				
Assets				
Securities at fair value through profit or loss				
– Listed shares	4 109 821	–	–	4 109 821
– Derivative instruments	–	8 808	–	8 808
Total assets	4 109 821	8 808	–	4 118 629

At June 30, 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 06/30/2016	Market price in original currency	Valuation CHF mn 06/30/2016	Valuation CHF mn 12/31/2015	
Celgene	3 609 298	–	3 609 298	USD	98.63	347.4	433.1
Incyte	3 750 406	90 000	3 840 406	USD	79.98	299.8	407.5
Actelion	2 200 673	(513 802)	1 686 871	CHF	163.20	275.3	307.2
Gilead	2 774 596	–	2 774 596	USD	83.42	225.9	281.3
Ionis Pharmaceuticals	6 529 838	575 000	7 104 838	USD	23.29	161.5	405.2
Radius Health	4 272 140	88 259	4 360 399	USD	36.75	156.4	263.4
Neurocrine Biosciences	3 121 552	–	3 121 552	USD	45.45	138.5	176.9
Alexion Pharmaceuticals	1 034 428	145 000	1 179 428	USD	116.76	134.4	197.7
Vertex Pharmaceuticals	1 365 445	50 000	1 415 445	USD	86.02	118.8	172.2
Novo Nordisk	2 243 770	16 987	2 260 757	DKK	358.10	118.0	130.8
Medivation	2 581 112	(590 000)	1 991 112	USD	60.30	117.2	125.0
Agios Pharmaceuticals	2 159 921	203 400	2 363 321	USD	41.90	96.6	140.5
Tesaro	1 229 582	(75 000)	1 154 582	USD	84.05	94.7	64.5
Regeneron Pharmaceuticals	205 000	–	205 000	USD	349.23	69.9	111.5
Alnylam Pharmaceuticals	1 132 499	58 839	1 191 338	USD	55.49	64.5	106.8
Halozyme Therapeutics	7 029 832	350 000	7 379 832	USD	8.63	62.2	122.1
Novavax	8 330 000	–	8 330 000	USD	7.27	59.1	70.0
Swedish Orphan Biovitrum	5 409 334	(900 000)	4 509 334	SEK	102.80	53.5	86.4
Juno Therapeutics	1 305 000	–	1 305 000	USD	38.44	49.0	57.5
Alder Biopharmaceuticals	1 510 150	175 000	1 685 150	USD	24.97	41.1	50.0
Kite Pharma	750 000	–	750 000	USD	50.00	36.6	46.3
Intercept Pharmaceuticals	255 719	–	255 719	USD	142.68	35.6	38.3
Cempra	1 991 900	50 000	2 041 900	USD	16.49	32.9	62.1
Intra-Cellular Therapies	–	700 000	700 000	USD	38.82	26.5	–
Sage Therapeutics	708 663	141 976	850 639	USD	30.13	25.0	41.4
ProbiDRUG	1 050 784	–	1 050 784	EUR	18.55	21.1	28.3
MacroGenics	–	520 000	520 000	USD	26.99	13.7	–
Puma Biotechnology	431 991	–	431 991	USD	29.79	12.6	33.9
Prothena Corp.	320 000	30 000	350 000	USD	34.96	11.9	21.8
Esperion Therapeutics	908 542	100 000	1 008 542	USD	9.88	9.7	20.3
Achillion Pharmaceuticals	1 279 340	–	1 279 340	USD	7.80	9.7	13.8
PTC Therapeutics	1 302 912	(120 000)	1 182 912	USD	7.02	8.1	42.3
Cidara Therapeutics	466 679	280 145	746 824	USD	10.31	7.5	8.0
Tobira Therapeutics	–	468 000	468 000	USD	12.56	5.7	–
Infinity Pharmaceuticals	2 700 737	(2 700 737)	–	USD	n.a.	–	21.2
Clovis Oncology	528 188	(528 188)	–	USD	n.a.	–	18.5
Tetraphase Pharmaceuticals	366 203	(366 203)	–	USD	n.a.	–	3.7
Listed shares						2 940.5	4 109.8
Total shares						2 940.5	4 109.8
Radius Health, warrants, USD 14, 04/23/2018	107 114	–	107 114	USD	25.37	2.7	5.2
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD	26.69	1.9	3.6
Merck & Co Inc contingent value rights - ex Trius/Cubist	545 927	–	545 927	USD	0.00	–	–
Total derivative instruments						4.5	8.8
Total securities at fair value through profit or loss						2 945.0	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	143 870	–	143 870
Sales	(160 707)	–	(160 707)
Realized gains	15 786	–	15 786
Realized losses	(35 396)	–	(35 396)
Unrealized gains	97 446	–	97 446
Unrealized losses	(1 230 320)	(4 295)	(1 234 615)
Net gains/(losses) from securities	(1 152 484)	(4 295)	(1 156 780)
Closing balance as at 06/30/2016 at fair values	2 940 500	4 513	2 945 013

5. Short-term borrowings from banks

At June 30, 2016, a CHF 345 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. On July 12, 2016, the shares were withdrawn from the commercial register. Until such time, the shares to be cancelled remained 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. Until June 30, 2016, no shares had been repurchased under this share buy-back program.

From January 1, 2016, through June 30, 2016, 993 849 shares were purchased at an average price of CHF 47.82 and 427 576 shares were sold at an average price of CHF 49.25 (01/01–06/30/2015: Purchase of 1 845 530 shares at an average price of CHF 56.33/Sale of 1 076 440 shares at an average price of CHF 56.40). 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/-06/30/2016	01/01/-06/30/2015
Fund manager		
– Management fees (incl. VAT)	15 641	18 307
Personnel		
– Board of Directors remuneration	514	514
– Wages and salaries	27	–
– Social insurance contributions and duties	28	23
	16 210	18 844

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 59 (01/01/-06/30/2015: CHF 59) have been recognized for equity compensation plans.

8. Segment information

(in CHF 1 000)

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

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

Operating income before tax	01/01/-06/30/2016	01/01/-06/30/2015
Switzerland	47 028	49 753
Germany	(7 153)	(1 179)
Denmark	(11 495)	18 190
Ireland	(11 561)	–
Curaçao	(16 140)	(18 800)
Sweden	(20 601)	14 078
USA	(1 149 997)	654 792
	(1 169 919)	716 834

9. Assets pledged

At June 30, 2016, the securities in the amount of CHF 2 413.3 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 June 30, 2016, a CHF 345 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 June 30, 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 June 30, 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 %	06/30/2016	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 June 30, 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 30 June 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, «Review of interim financial information performed by the independent auditor of the entity». A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers AG

Adrian Keller
Audit expert
Auditor in charge

Martin Gubler
Audit expert

Zürich, 20 July 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 June 30, 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
		– 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
			– Reuters: BB.MI	

Corporate calendar 2016/2017

Interim Report as at September 30, 2016	October 21, 2016, 7 AM CET
Portfolio as at December 31, 2016	January 20, 2017, 7 AM CET
Annual Report as at December 31, 2016	February 17, 2017, 7 AM CET
Annual General Meeting 2017	March 16, 2017, 3 PM CET
Interim Report as at March 31, 2017	April 21, 2017, 7 AM CET
Interim Report as at June 30, 2017	July 21, 2017, 7 AM CET
Interim Report as at September 30, 2017	October 20, 2017, 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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