



Interim Report as at September 30, 2016

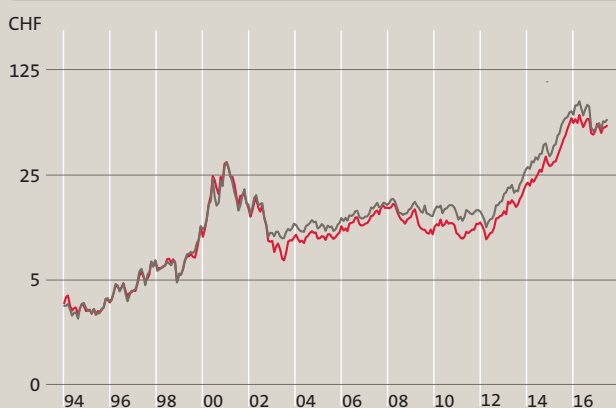
B|B Biotech

Multi-year comparison

	09/30/2016	2015	2014	2013	2012
Market capitalization at the end of the period (in CHF mn)	2 764.5	3 463.2	2 799.0	1 668.5	1 150.5
Net Asset Value at the end of the period (in CHF mn)	3 013.1	3 978.2	3 492.5	2 118.9	1 234.0
Number of shares (in mn)	55.4	11.9	11.9	11.9	13.0
Trading volume (in CHF mn)	2 462.9	6 265.2	3 186.6	1 289.3	948.9
Profit/(loss) (in CHF mn)	(777.8)	652.8	1 470.1	931.8	367.8
Closing price at the end of the period in CHF ¹⁾	49.90	58.45	47.24	28.16	17.70
Closing price (G) at the end of the period in EUR ¹⁾	45.84	53.99	39.60	23.04	14.51
Closing price (I) at the end of the period in EUR ¹⁾	46.10	54.18	39.34	23.08	14.58
Stock performance (incl. distributions)	(9.1%)	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)	(5.7%)	(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)	110.9%	101.0%	104.6%	104.5%	109.0%
Total Expense Ratio (TER) p.a.	1.23%	1.13%	1.14%	1.02%	1.69%

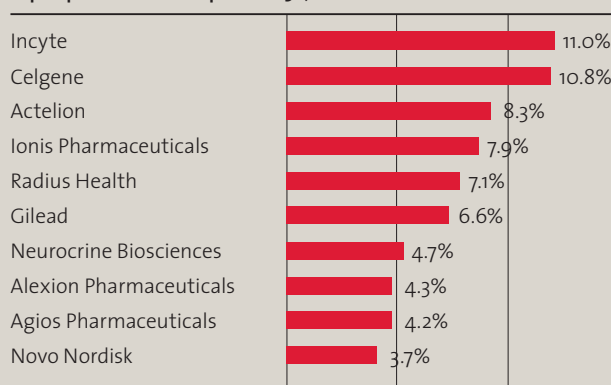
¹⁾ Five-for-one share split as at March 29, 2016 considered

Share price trend since foundation (in CHF)

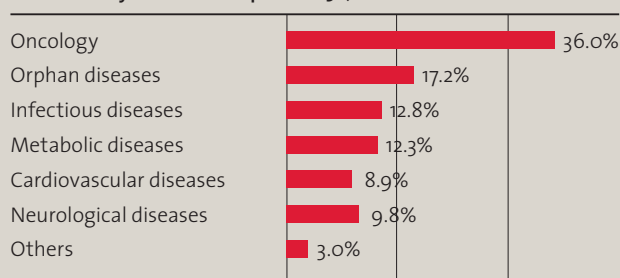


■ BB Biotech share ■ BB Biotech Net Asset Value
Source: Bloomberg, 09/30/2016

Top 10 positions as at September 30, 2016



Breakdown by sector as at September 30, 2016



Performance (adjusted for distributions, in local currency)

As of 09/30/2016	YTD	3 years	5 years	11/15/93
Switzerland	-9.1%	+125.3%	+455.1%	+1529.8%
Germany	-9.6%	+154.4%	+529.9%	N.A.
Italy	-9.5%	+156.5%	+534.0%	N.A.

Breakdown by currency as at September 30, 2016

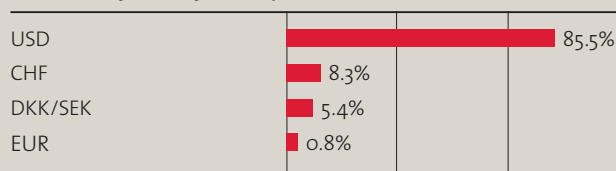


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Picture: Molecule of a DNA cell

Dear shareholders

Global equity markets generally traded higher in Q3 2016, as the US Federal Reserve Bank once more deferred raising interest rates and other reserve banks continued expansive policies. The third quarter of 2016 saw positive USD returns of 3.9% for the S&P Index, 2.8% for the Dow Jones Index, 10.7% for the Nasdaq 100 and 12.5% for the Nasdaq Biotech Index. In Europe, a recovery of sorts continued after the Brexit vote with the DAX gaining 8.6% in EUR but the SMI gaining a mere 1.7% in CHF. In the same time period, BB Biotech reported a gain of 11.9% in CHF, and 11.7% in EUR.

Biotech valuations saw modest upward progress despite improving fundamentals and this disconnect reinvigorated the M&A market in the third quarter. Large pharmaceutical companies took advantage of the disconnect to acquire small and midcap companies – eschewing mega-mergers and generating cash from their own restructuring-related divestment activity – which included the sale by entire pharmaceutical divisions in some cases. Pharma's entry into M&A once more led the recovery of BB Biotech's Net Asset Value (NAV), which increased 15.5% in USD, 14.9% in CHF and 14.3% in EUR.

Key events and readouts which impacted BB Biotech's portfolio holdings in the third quarter of 2016 included M&A transactions:

- Medivation – acquired by Pfizer for USD 81.50 per share, valuing the company at USD 14.5 bn.
- Tobira – received a takeover offer from Allergan for USD 28.35 per share in cash and up to USD 49.84 per share in contingency value rights, representing USD 600 mn in upfront cash payment and an additional USD 1.1 bn in milestone payments.

In addition, valuable progress with drug development programs was announced:

- Ionis, with its development partner Biogen, announced that the nusinersen Phase III ENDEAR study treating spinal muscular atrophy (SMA 1) patients was stopped early due to a positive interim data for motor milestone achievements.
- Agios announced, with its development partner Celgene, it would accelerate the filing of AG-221 for treating AML patients with IDH mutations.
- Kite reported positive initial results for KTE-019 for treating DLBCL patients.
- Sage announced positive Phase II data for severe post-partum depression for SAGE-547. The FDA granted SAGE-547 breakthrough designation status.
- Radius' abaloparatide patch demonstrated positive PK/PD data for the treatment of osteoporosis.
- Alder reported positive Phase II data for ALD403 for the treatment of chronic migraine.

Some news events were negative or mixed, including:

- Novavax announced that the Phase III RSV vaccine trial for elderly patients did not meet the primary endpoint of prevention of moderate to severe RSV-associated lower respiratory tract disease.
- Intra-Cellular reported that the second Phase III trial for ITI-007 did not reach the primary endpoint in schizophrenia patients.
- Celgene's Phase III trial for Revlimid to treat diffuse large B cell lymphoma reported a positive progression-free survival effect but failed to show an overall survival benefit.

Life-science investors also remained focused on the US presidential election (November 8) – looking for signals of policy change from either candidate. The debate was fueled as a consequence of inquiries into aggressive price increases for Mylan's EpiPen – a long-established product. EpiPen is not a product of modern biotechnology. Nevertheless these controversies fuel investor concerns about future price control mechanisms in the US – which BB Biotech believes will be modest and will not impede investment and value in innovative medicines.

Innovation continues to be recognized as the strongest foundation for attractive pricing – and firms that deliver biotech progress and smart health economics will continue to win. In the meantime, pharmacy benefit managers (PBMs) in the US continue to come under scrutiny. PBMs act as middle-market negotiators between payers, pharmacies, providers and biopharmaceutical companies. They have been widely criticized for taking too big a slice of the cost of medicines in the US – but continue to exert influence on drug adoption, prices and payment terms. Recently, Novo Nordisk reduced its revenue growth outlook for 2017 consequent to PBM pressure, leading to a sharp correction in its share price over the last few weeks.

BB Biotech will continue to monitor the US political, pricing and reimbursement landscape for healthcare reforms, and believes that any modifications introduced by the next president and Congress will be incremental rather than dramatic.

Third quarter 2016 and year to date 2016 performance

For the third quarter 2016, BB Biotech's positive share return was 11.9% in CHF and 11.7% in EUR. For the same period the NAV gained 14.9% in CHF and 14.3% in EUR. The resulting profit for Q3 2016 is CHF 392.1 mn.

For the first nine months of 2016, BB Biotech's share price return was –9.1% in CHF and –9.6% in EUR. The total return for the NAV for the same period was –18.5% in CHF and –18.7% in EUR, corresponding to a net loss of CHF 777.8 mn.

BB Biotech reduced its investment leverage most significantly by selling its Medivation position into the Pfizer offer and by selling its Tobira position in the takeover offer by Allergan. The fund's investment grade of 112.3% at the end of June 2016 was reduced to 107.6% by the end of the third quarter 2016.

Throughout the third quarter, BB Biotech increased the number of its own shares through the first trading line by 11 000, representing a total of around 0.5% of the 55.4 mn outstanding shares of BB Biotech.

BB Biotech's portfolio news in the third quarter

The NAV performance moved up in the third quarter – outperforming the benchmark by 3% in USD, and moving closer to the benchmark on a year-to-date basis. Most of the clinical trial results reported by portfolio companies were positive, but the (few) negative outcomes limited growth reported for the quarter. As described earlier, M&A activity contributed positively to overall performance.

During the quarter BB Biotech portfolio companies reported several important clinical milestones. Ionis, and its partner Biogen, surprisingly announced the early stopping of the ENDEAR Phase III study (SMA 1 patients), which met one of the co-primary endpoints in an interim analysis – showing impressive improvements in motor milestone achievements compared to untreated babies. Biogen has already completed the filing process and the product is expected to be launched in 2017 in the US and Europe.

Capitalizing further on BB Biotech's experience in SMA, Avexis was added to the portfolio based on early, but highly promising improvements seen in SMA type 1 babies after a single administration of Avexis' gene therapy product AVXS-101. Early results indicate strong improvements in motor milestones, in contrast to the devastating deterioration seen in untreated SMA 1 babies.

Radius Health announced further progress on the abaloparatide program. The subcutaneous injection formulation – abaloparatide SC – is expected to receive the CHMP opinion by the end of 2016 and has been accepted for filing in the US. The FDA decision on approvability is expected in 2017. Improvements in the transdermal patch have significantly enhanced the delivery profile, making it closer in release performance than the subcutaneous formulation, potentially allowing for approval based on bioequivalence and without running another long term fracture study. The abaloparatide patch has the potential to address a significant group of patients who do not want to receive regular injections.

Sage continued to make progress with its neurology pipeline. Although its Phase III seizure study data read-out was delayed to

2017, the company reported positive Phase II results for SAGE-547, which is being tested in severe postpartum depression (PPD). Remission from depression was seen in 7 of 10 patients treated with SAGE-547 compared with 1 of 11 patients given placebo ($p = 0.008$). The FDA breakthrough designation, which offers the potential for expedited development and review, underscores the significant unmet medical need in women with severe PPD.

Agios, and partner Celgene, disclosed that Celgene has filed AG-221, a first in class, oral inhibitor of mutant isocitrate dehydrogenase-2 (IDH2) in relapsed and/or refractory acute myeloid leukemia (AML). The NDA is based on the broad Phase II/III study, with a Phase III program expected to generate data in 2018. Agios' fully owned AG-120 molecule to treat mutant IDH1 patients with AML is also being developed with a similar clinical trial strategy, potentially leading to an NDA filing as early as 2017.

The quarter saw a handful of unexpected setbacks in the portfolio as well. Celgene provided an update on the Phase III REMARC study of Revlimid maintenance treatment in patients with diffuse large b-cell lymphoma (DLBCL) responding to the current standard of care (R-CHOP therapy). The primary endpoint of progression free survival was statistically significant but the overall survival at the interim analysis showed no benefit. Celgene will not seek approval for the DLBCL indication but has further trials treating lymphoma patients that are expected to report data in the coming year or so. The disappointment modestly impacts the growth trajectory for Revlimid, and therefore the effect on Celgene's share price was limited.

Two smaller companies in the portfolio experienced share price declines following negative outcomes for Phase III trials. Novavax unexpectedly announced negative topline RSV F vaccine data from its Phase III RESOLVE in older adults. As a consequence Novavax lost 80% of its value and announced restructuring plans to conserve cash for ongoing RSV programs.

Intra-Cellular, a new portfolio investment company, also unexpectedly reported negative top line results from its second Phase III trial of ITI-007 in patients with schizophrenia. This means Intra-Cellular now has positive Phase II data, one positive Phase III trial, one negative Phase III trial and a superior safety profile versus the standard of care. The company is evaluating next steps with the FDA regarding the schizophrenia indication and continues to test ITI-007 in other indications such as bipolar disorder, depression and other psychiatry indications.

As summarized earlier, M&A transactions played a substantial role in BB Biotech's performance in the third quarter. Although many large pharmaceutical and biotechnology companies

expressed an appetite for acquisitions, few have yet consummated a transaction. Pfizer's contested takeover offer for Medivation in August at USD 81.50 per share beat the USD 52 offer made by Sanofi in late April 2016. Tobira – themselves under pressure due to Phase II study failures – accepted a strong takeover offer from Allergan of USD 28.50 per share in cash, and a CVR of up to USD 49 per share. After the offer, Tobira's share price rose to around USD 39 per share, substantially higher than the last share price pre-offer of USD 4.70 per share, and reflecting confidence in the terms, which are attractive for shareholders.

Portfolio changes

With an eye to opportunities presented by volatile markets and potential over-reaction to news flow, careful adjustments were made to the portfolio during the third quarter of 2016. Two existing larger cap positions in Novo Nordisk and Regeneron were increased, which reflects BB Biotech's confidence in the growth potential these two well-established firms offer. The position in Sage was also increased on the strength of the Phase II data for severe PPD. Shareholdings of MacroGenics and in Intra-Cellular Therapeutics were likewise increased.

Positions in Celgene, Actelion, Tesaro, Swedish Orphan Biovitrum and Puma Biotechnology were trimmed to take profits. As stated earlier, the positions in Medivation and Tobira were closed, generating both significant profits and cash inflows.

Avexis was added to the portfolio. Avexis is developing AVXS-101, a recombinant adeno-associated virus 9 (AAV9) therapy that delivers a fully functional human 'survival of motor neuron 1' (SMN 1) gene into target motor neurons. The compound is being tested in an ongoing Phase I study in SMA type 1 patients with initial promising data showing improved motor functions. The product has been granted orphan drug status and breakthrough designation by the FDA.

Outlook for the sector and the portfolio

BB Biotech anticipates continued volatility for the remainder of 2016. The US election and a large range of company milestones

will play out. Potential product approvals and a high rate of data read-outs from clinical trials are expected to bring the curtain down on a very active 2016. The news flow offers the potential for significant appreciation in firm valuations.

Regulatory milestones to watch out for in the BB Biotech portfolio include:

- Regeneron – Sarilumab for rheumatoid arthritis
- Radius Health – Abaloparatide sc with a CHMP opinion for osteoporosis
- Cemptra – Solithromycin for community acquired bacterial pneumonia

Clinical trial results of potential importance include:

- Celgene – detailed GED301 endoscopy data in Crohn's disease
- Gilead – triple combination data in HCV to test an 8 week regimen
- Halozyme – Phase II data in pancreatic cancer for pegPH20
- Actelion – third generation ERA with hemodynamic data and safety data

These events are expected to draw attention to the fundamental strength of BB Biotech's portfolio in particular and the biotechnology sector in general. Results for the third and fourth quarter should also be strong and confirm the solid operating performance. And in view of the obvious M&A opportunities that pharmaceutical companies can take advantage of, there may be increased consolidation following several quarters of significantly reduced takeover activity in the sector.

Above all, BB Biotech will continue to focus on investing in biotechnology innovation that can deliver effective treatment options, and potentially create enormous value for patients, healthcare systems and shareholders alike.

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 September 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
Incyte	3 879 822	129 416	USD	94.29	355.4	11.0%	11.8%	2.1%
Celgene	3 459 298	(150 000)	USD	104.53	351.3	10.8%	11.7%	0.4%
Actelion	1 607 680	(592 993)	CHF	168.20	270.4	8.3%	9.0%	1.5%
Ionis Pharmaceuticals	7 163 172	633 334	USD	36.64	255.0	7.9%	8.5%	5.9%
Radius Health	4 360 399	88 259	USD	54.09	229.2	7.1%	7.6%	10.5%
Gilead	2 774 596	–	USD	79.12	213.3	6.6%	7.1%	0.2%
Neurocrine Biosciences	3 121 552	–	USD	50.64	153.6	4.7%	5.1%	3.6%
Alexion Pharmaceuticals	1 179 428	145 000	USD	122.54	140.4	4.3%	4.7%	0.5%
Agios Pharmaceuticals	2 649 528	489 607	USD	52.82	136.0	4.2%	4.5%	6.4%
Novo Nordisk	2 985 852	742 082	DKK	275.40	120.6	3.7%	4.0%	0.1%
Vertex Pharmaceuticals	1 415 445	50 000	USD	87.21	119.9	3.7%	4.0%	0.6%
Regeneron Pharmaceuticals	245 000	40 000	USD	402.02	95.7	3.0%	3.2%	0.2%
Tesaro	974 582	(255 000)	USD	100.24	94.9	2.9%	3.2%	1.9%
Halozyme Therapeutics	7 379 832	350 000	USD	12.08	86.6	2.7%	2.9%	5.7%
Alnylam Pharmaceuticals	1 191 338	58 839	USD	67.78	78.5	2.4%	2.6%	1.4%
Swedish Orphan Biovitrum	4 449 334	(960 000)	SEK	106.60	53.7	1.7%	1.8%	1.6%
Alder Biopharmaceuticals	1 685 150	175 000	USD	32.77	53.7	1.7%	1.8%	3.4%
Cempra	2 041 900	50 000	USD	24.20	48.0	1.5%	1.6%	3.9%
Sage Therapeutics	1 022 439	313 776	USD	46.05	45.7	1.4%	1.5%	2.8%
Kite Pharma	800 000	50 000	USD	55.86	43.4	1.3%	1.4%	1.6%
Macrogenics	1 455 000	1 455 000	USD	29.91	42.3	1.3%	1.4%	4.2%
Juno Therapeutics	1 405 000	100 000	USD	30.01	41.0	1.3%	1.4%	1.3%
Intercept Pharmaceuticals	255 719	–	USD	164.59	40.9	1.3%	1.4%	1.0%
Probiobdrug	1 050 784	–	EUR	22.50	25.8	0.8%	0.9%	14.1%
Prothena Corp.	350 000	30 000	USD	59.97	20.4	0.6%	0.7%	1.0%
Intra-Cellular Therapies	1 350 000	1 350 000	USD	15.24	20.0	0.6%	0.7%	3.1%
Esperion Therapeutics	1 308 542	400 000	USD	13.85	17.6	0.5%	0.6%	5.8%
Novavax	8 330 000	–	USD	2.08	16.8	0.5%	0.6%	3.1%
PTC Therapeutics	1 182 912	(120 000)	USD	14.01	16.1	0.5%	0.5%	3.5%
Puma Biotechnology	241 991	(190 000)	USD	67.05	15.8	0.5%	0.5%	0.7%
AveXis	352 800	352 800	USD	41.21	14.1	0.4%	0.5%	1.3%
Achillion Pharmaceuticals	1 279 340	–	USD	8.10	10.1	0.3%	0.3%	0.9%
Cidara Therapeutics	746 824	280 145	USD	11.45	8.3	0.3%	0.3%	5.4%
Radius Health warrants, 04/23/2018	107 114	–	USD	41.35	4.3	0.1%	0.1%	
Radius Health warrants, 02/19/2019	71 409	–	USD	42.50	2.9	0.1%	0.1%	
Merck & Co Inc contingent value rights - ex Trius/Cubist	545 927	–	USD	0.00	–	0.0%	0.0%	
Total securities					3 241.8	100.0%	107.6%	
Other assets					14.6		0.5%	
Other payables					(243.2)		(8.1%)	
Net asset value					3 013.1		100.0%	
BB Biotech registered shares ^{1) 2)}	283 155	(3 272 410)			14.1			0.5%

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 09/30/2016:

USD/CHF: 0.9716; DKK/CHF: 14.66490; EUR/CHF: 1.09127; SEK/CHF: 11.33230

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.

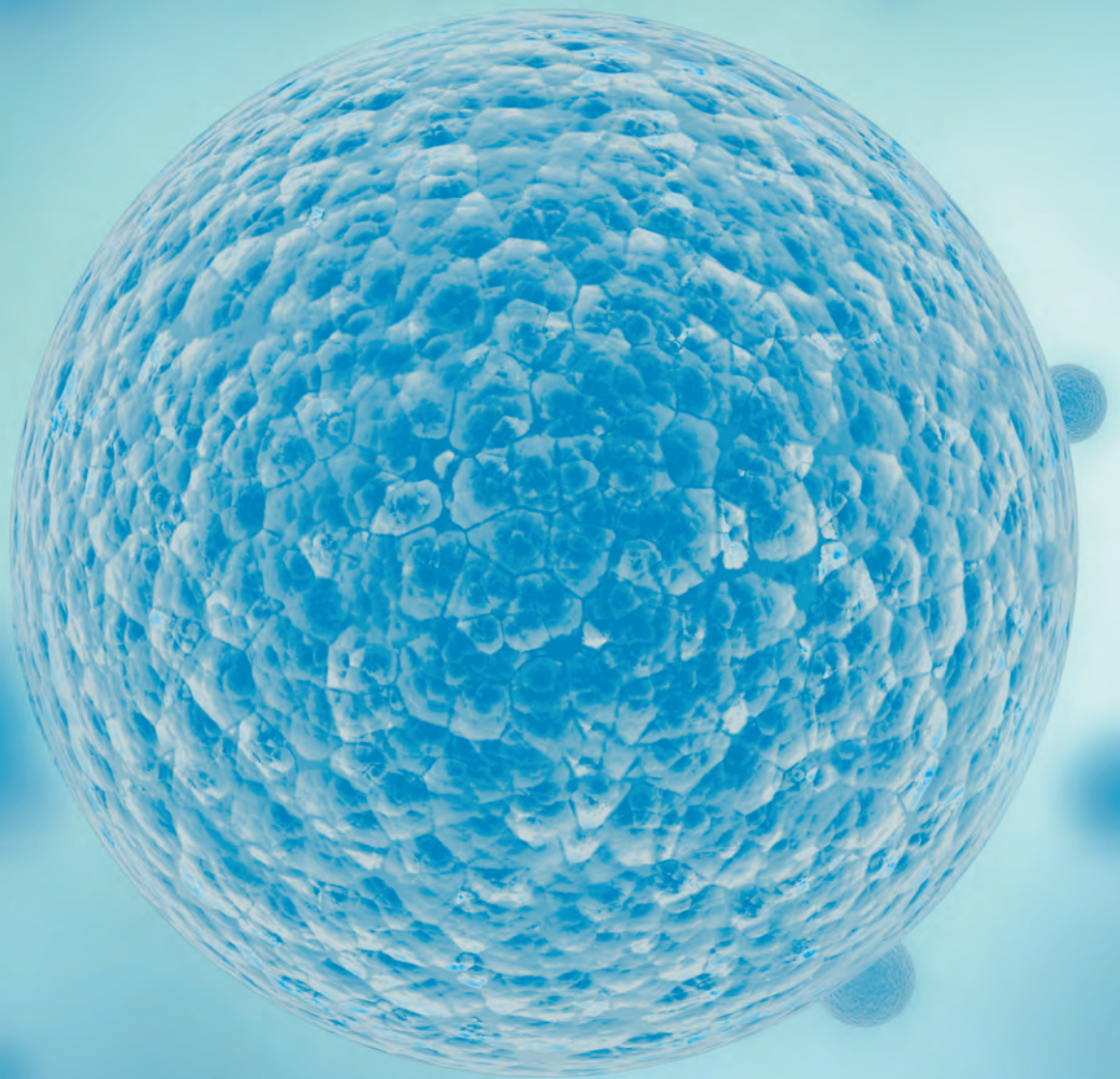


Image: illustration of a virus particle

Consolidated balance sheet

(in CHF 1 000)

	Notes	09/30/2016	12/31/2015
Current assets			
Cash and cash equivalents		14 491	21 059
Receivables from brokers		–	3 978
Securities at fair value through profit or loss	4	3 241 798	4 118 629
Other assets		70	1
		3 256 359	4 143 667
Total assets		3 256 359	4 143 667
Current liabilities			
Short-term borrowings from banks	5	225 000	160 000
Payables to brokers		15 057	1 198
Other short-term liabilities		3 072	4 068
Tax liabilities		91	243
		243 220	165 509
Total liabilities		243 220	165 509
Shareholders' equity			
Share capital	6	11 080	11 850
Treasury shares	6	(13 092)	(119 332)
Retained earnings		3 015 151	4 085 640
		3 013 139	3 978 158
Total liabilities and shareholders' equity		3 256 359	4 143 667
Net asset value per share in CHF ¹⁾		54.65	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 October 18, 2016.

Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/–09/30/2016	01/01/–09/30/2015	07/01/–09/30/2016	07/01/–09/30/2015
Operating income					
Gains from marketable securities	4	–	168 754	398 785	–
Interest income		–	1	–	–
Dividend income		7 745	5 821	1 576	801
Foreign exchange gains net		318	–	491	1 805
Other income		137	1 089	–	1
		8 200	175 665	400 852	2 607
Operating expenses					
Losses from marketable securities	4	(757 995)	–	–	(567 015)
Finance expenses		(833)	(66)	(289)	(3)
Foreign exchange losses net		–	(1 301)	–	–
Administrative expenses	7	(24 038)	(28 773)	(7 828)	(9 929)
Other expenses		(3 130)	(4 090)	(612)	(1 059)
		(785 996)	(34 230)	(8 729)	(578 006)
Operating income before tax	8	(777 796)	141 435	392 123	(575 399)
Income taxes		(22)	(22)	(7)	(7)
Net income for the period		(777 818)	141 413	392 116	(575 406)
Total comprehensive income for the period		(777 818)	141 413	392 116	(575 406)
Income per share in CHF ¹⁾		(14.06)	2.53	7.17	(10.32)
Diluted income per share in CHF ¹⁾		(14.05)	2.53	7.17	(10.31)

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.

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)	–	(49 325)	3 472	(45 853)
Share-based remuneration	–	–	88	88
Total comprehensive income for the period	–	–	141 413	141 413
Balances at September 30, 2015	11 850	(126 995)	3 573 239	3 458 094
Balances at January 1, 2016	11 850	(119 332)	4 085 640	3 978 158
Cash distribution/dividend	–	–	(160 489)	(160 489)
Capital reduction	(770)	133 294	(132 524)	–
Trade with treasury shares (incl. change in balance)	–	(27 054)	253	(26 801)
Share-based remuneration	–	–	89	89
Total comprehensive income for the period	–	–	(777 818)	(777 818)
Balances at September 30, 2016	11 080	(13 092)	3 015 151	3 013 139

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/–09/30/2016	01/01/–09/30/2015
Cash flows from operating activities			
Proceeds from sales of securities	4	405 774	962 766
Purchase of securities	4	(270 772)	(800 653)
Dividend receipts		7 745	5 821
Interest receipts		–	1
Payments for services		(28 009)	(30 807)
Income taxes paid		(171)	(36)
Total cash flows from operating activities		114 567	137 092
Cash flows from financing activities			
Cash distribution/dividend		(160 489)	(130 079)
Proceeds from sales of treasury shares	6	29 036	101 607
Purchase of treasury shares	6	(54 167)	(142 460)
Borrowing of bank loans	5	65 000	30 000
Interest payments		(833)	(66)
Total cash flows from financing activities		(121 453)	(140 998)
Foreign exchange difference		318	(1 301)
Change in cash and cash equivalents		(6 568)	(5 207)
Cash and cash equivalents at the beginning of the period		21 059	8 968
Cash and cash equivalents at the end of the period		14 491	3 761
Cash and cash equivalents		14 491	3 761
Cash and cash equivalents at the end of the period		14 491	3 761

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	09/30/2016	12/31/2015
USD	0.97160	1.00200
EUR	1.09127	1.08774
DKK	14.66490	14.58210
SEK	11.33230	11.86850

Fair values

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

2016/09/30	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Listed shares	3 234 546	–	–	3 234 546
– Derivative instruments	–	7 252	–	7 252
Total assets	3 234 546	7 252	–	3 241 798
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 September 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 09/30/2016	Market price in original currency	Valuation CHF mn 09/30/2016	Valuation CHF mn 12/31/2015
Incyte	3 750 406	129 416	3 879 822	USD 94.29	355.4	407.5
Celgene	3 609 298	(150 000)	3 459 298	USD 104.53	351.3	433.1
Actelion	2 200 673	(592 993)	1 607 680	CHF 168.20	270.4	307.2
Ionis Pharmaceuticals	6 529 838	633 334	7 163 172	USD 36.64	255.0	405.2
Radius Health	4 272 140	88 259	4 360 399	USD 54.09	229.2	263.4
Gilead	2 774 596	–	2 774 596	USD 79.12	213.3	281.3
Neurocrine Biosciences	3 121 552	–	3 121 552	USD 50.64	153.6	176.9
Alexion Pharmaceuticals	1 034 428	145 000	1 179 428	USD 122.54	140.4	197.7
Agios Pharmaceuticals	2 159 921	489 607	2 649 528	USD 52.82	136.0	140.5
Novo Nordisk	2 243 770	742 082	2 985 852	DKK 275.40	120.6	130.8
Vertex Pharmaceuticals	1 365 445	50 000	1 415 445	USD 87.21	119.9	172.2
Regeneron Pharmaceuticals	205 000	40 000	245 000	USD 402.02	95.7	111.5
Tesaro	1 229 582	(255 000)	974 582	USD 100.24	94.9	64.5
Halozyne Therapeutics	7 029 832	350 000	7 379 832	USD 12.08	86.6	122.1
Alnylam Pharmaceuticals	1 132 499	58 839	1 191 338	USD 67.78	78.5	106.8
Swedish Orphan Biovitrum	5 409 334	(960 000)	4 449 334	SEK 106.60	53.7	86.4
Alder Biopharmaceuticals	1 510 150	175 000	1 685 150	USD 32.77	53.7	50.0
Cempra	1 991 900	50 000	2 041 900	USD 24.20	48.0	62.1
Sage Therapeutics	708 663	313 776	1 022 439	USD 46.05	45.7	41.4
Kite Pharma	750 000	50 000	800 000	USD 55.86	43.4	46.3
Macrogenics	–	1 455 000	1 455 000	USD 29.91	42.3	–
Juno Therapeutics	1 305 000	100 000	1 405 000	USD 30.01	41.0	57.5
Intercept Pharmaceuticals	255 719	–	255 719	USD 164.59	40.9	38.3
Probiodrug	1 050 784	–	1 050 784	EUR 22.50	25.8	28.3
Prothena Corp.	320 000	30 000	350 000	USD 59.97	20.4	21.8
Intra-Cellular Therapies	–	1 350 000	1 350 000	USD 15.24	20.0	–
Eesperion Therapeutics	908 542	400 000	1 308 542	USD 13.85	17.6	20.3
Novavax	8 330 000	–	8 330 000	USD 2.08	16.8	70.0
PTC Therapeutics	1 302 912	(120 000)	1 182 912	USD 14.01	16.1	42.3
Puma Biotechnology	431 991	(190 000)	241 991	USD 67.05	15.8	33.9
AveXis	–	352 800	352 800	USD 41.21	14.1	–
Achillion Pharmaceuticals	1 279 340	–	1 279 340	USD 8.10	10.1	13.8
Cidara Therapeutics	466 679	280 145	746 824	USD 11.45	8.3	8.0
Medivation	2 581 112	(2 581 112)	–	USD n.a.	–	125.0
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					3 234.6	4 109.8
Total shares					3 234.6	4 109.8
Radius Health, warrants, USD 14, 04/23/2018	107 114	–	107 114	USD 41.35	4.3	5.2
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD 42.50	2.9	3.6
Merck & Co Inc contingent value rights - ex Trius/Cubist	545 927	–	545 927	USD 0.00	–	–
Total derivative instruments					7.2	8.8
Total securities at fair value through profit or loss					3 241.8	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	284 631	–	284 631
Sales	(403 467)	–	(403 467)
Realized gains	92 862	–	92 862
Realized losses	(43 251)	–	(43 251)
Unrealized gains	97 965	–	97 965
Unrealized losses	(904 015)	(1 556)	(905 571)
Net gains/(losses) from securities	(756 439)	(1 556)	(757 995)
Closing balance as at 09/30/2016 at fair values	3 234 546	7 252	3 241 798

5. Short-term borrowings from banks

At September 30, 2016, a CHF 225 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 55.4 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, 3 850 000 registered shares at a par value of CHF 770 000 were withdrawn from the commercial register, the capital reduction has thus been concluded.

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

From January 1, 2016, through September 30, 2016, 1 130 328 shares were purchased at an average price of CHF 47.92 and 552 738 shares were sold at an average price of CHF 49.51 (01/01–09/30/2015: Purchase of 2 625 395 shares at an average price of CHF 56.17/Sale of 1 760 945 shares at an average price of CHF 57.70). 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:

	01/01–09/30/2016	01/01–09/30/2015
Fund manager		
– Management fees (incl. VAT)	23 184	27 967
Personnel		
– Board of Directors remuneration	771	771
– Wages and salaries	41	–
– Social insurance contributions and duties	42	35
	24 038	28 773

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 89 (01/01–09/30/2015: CHF 88) 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	01/01–09/30/2016	01/01–09/30/2015
Switzerland	55 329	23 277
Germany	(2 483)	(1 287)
Ireland	(3 110)	(3 597)
Sweden	(19 576)	16 667
Curaçao	(23 948)	(28 500)
Denmark	(38 948)	20 509
USA	(745 060)	114 366
	(777 796)	141 435

9. Assets pledged

At September 30, 2016, the securities in the amount of CHF 2 645.7 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 September 30, 2016, a CHF 225 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 September 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 September 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 %	09/30/2016	12/31/2015
Lazard Asset Management LLC, New York, USA	n.a.	3.53

13. Subsequent events

There have been no events subsequent to September 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 September 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, 19 October 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 September 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 11.08 mn nominal, 55 400 000 registered shares with a par value of CHF 0.20
Shareholders, free float:	Institutional and private investors 100% free float
Security number Switzerland:	3 838 999
Security number in Germany and Italy:	AoNFN3
ISIN:	CH0038389992

Shareholder information

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

Quotes and reports

NAV:	in CHF	– Datastream: S:BINA	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)	in EUR (STAR)	

Corporate calendar 2017

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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