



Interim Report as at March 31, 2017

BB **Biotech**

Multi-year comparison

	03/31/2017	2016	2015	2014	2013
Market capitalization at the end of the period (in CHF mn)	3 127.3	3 052.5	3 463.2	2 799.0	1 668.5
Net Asset Value at the end of the period (in CHF mn)	3 217.9	3 003.0	3 978.2	3 492.5	2 118.9
Number of shares (in mn) ¹⁾	55.4	55.4	59.3	59.3	59.3
Trading volume (in CHF mn)	908.5	3 204.5	6 265.2	3 186.6	1 289.3
Profit/(loss) (in CHF mn)	375.0	(802.1)	652.8	1 470.1	931.8
Closing price at the end of the period in CHF ¹⁾	56.45	55.10	58.45	47.24	28.16
Closing price (G) at the end of the period in EUR ¹⁾	52.74	51.70	53.99	39.60	23.04
Closing price (I) at the end of the period in EUR ¹⁾	52.85	51.60	54.18	39.34	23.08
Stock performance (incl. distributions)	7.7%	0.3%	28.2%	75.1%	66.0%
High/low share price in CHF ¹⁾	60.60/52.10	58.20/40.78	70.25/46.48	48.16/26.74	29.38/17.90
High/low share price in EUR ¹⁾	57.00/48.42	53.98/36.74	66.02/39.39	39.98/21.82	23.94/14.69
Premium/(discount) (annual average)	(3.7%)	(5.1%)	(17.6%)	(22.1%)	(23.1%)
Cash distribution/dividend in CHF ¹⁾	N.A.	2.75	2.90	2.32	1.40
Degree of investment (quarterly figures)	109.5%	109.9%	101.0%	104.6%	104.5%
Total Expense Ratio (TER) p.a.	1.25%	1.28%	1.13%	1.14%	1.02%

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

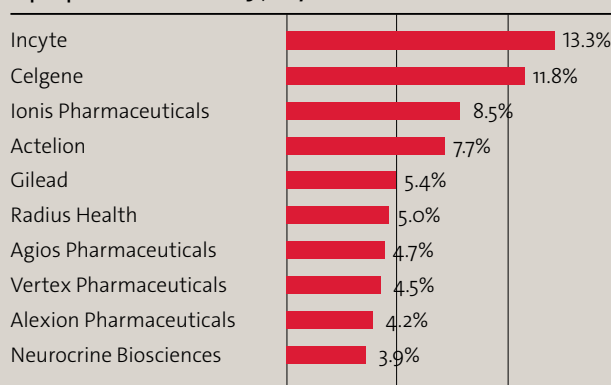
Share price trend since foundation (in CHF)



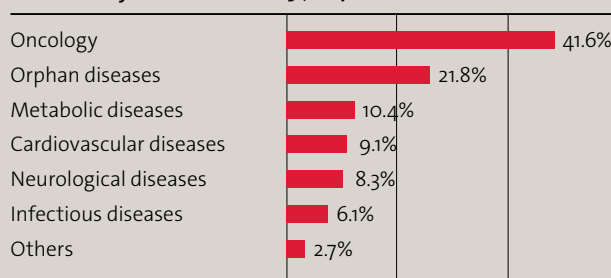
■ BB Biotech share
 ■ BB Biotech Net Asset Value
 ■ Nasdaq Biotech Index

Source: Bloomberg, 03/31/2017

Top 10 positions as at March 31, 2017



Breakdown by sector as at March 31, 2017



Performance (adjusted for distributions, in local currency)

As of 03/31/2017	YTD	3 years	5 years	11/15/93
Switzerland	+7.7%	+110.9%	+379.6%	+1838%
Germany	+7.1%	+139.3%	+442.6%	N.A.
Italy	+7.6%	+140.6%	+440.8%	N.A.

Breakdown by currency as at March 31, 2017

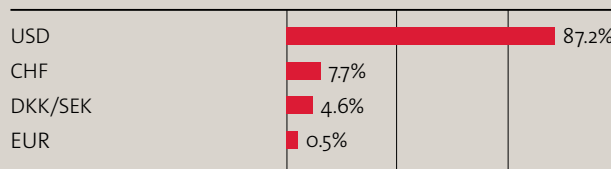


Table of content

Letter to the shareholders	2
Portfolio	5
Investment strategy	6
Consolidated interim financial statements	8
Selected explanatory notes to the consolidated interim financial statements	12
Report of the auditors	17
Shareholder information	18

Dear shareholders,

Overall, equity markets performed well in the first quarter of 2017 driven by hopes for stimulation of the US economy by lower corporate tax rates, potential repatriation of off-shore cash and investments in infrastructure alluded to by President Trump. The S&P 500 gained 6.1%, the Dow Jones gained 5.2% and the Nasdaq Composite Index gained 10.1 (all values in USD). European equity indices followed the same trend, apparently disregarding Brexit implications and national election risks, so that the Euro Stoxx 600 gained 6.3%, and the Dax Index gained 7.3% in EUR while the SPI's gained 7.5% in CHF.

Healthcare markets were again influenced by a seesaw US healthcare agenda driven between the White House and Congress. Initial drafts of «repeal and replace» legislation for the Affordable Care Act (ACA) failed to win sufficient votes in Congress after intensive debate and attempts at last-minute back-room deal making – at least for now. The associated short-term volatility and tweets however could not stop the overall positive trend in broad healthcare equity markets including the MSCI World Healthcare Index, which gained 8.7% in USD, and the Nasdaq Biotech Index, which gained 10.8% in USD for the quarter.

BB Biotech's performance for the first quarter 2017

The total return for BB Biotech's share price was +7.7% in CHF and +7.1% in EUR for the first three months of 2017. The portfolio showed an overall gain of 12.5% in CHF, 12.4% in EUR and 14.4% in USD. Net profit of CHF 375 mn (CHF 1.2 bn loss in the corresponding period of the previous year) was driven by the overall portfolio appreciation. The currency impact in the first quarter was –1.9% as the US dollar fell against the Swiss Franc.

All total return calculations for BB Biotech take account of the dividend distribution of CHF 2.75 per share as set by BB Biotech's dividend policy, which was approved by shareholders at this year's AGM of March 16, 2017.

Continued capital distribution

BB Biotech paid out the proposed dividend of CHF 2.75 per share. The board confirmed continuation of the dividend policy, and expects to pay out a regular dividend calculated as 5% of the previous December average share price.

The eleventh share repurchase program – started in April 2016 – continues, and allows BB Biotech to acquire up to 10% of the company's outstanding shares over a period of up to three years. Given the ongoing reduced difference between

BB Biotech's Net Asset Value and share price, the company did not trade on the second trading line in the first quarter 2017 – in fact, that trading line has not yet been activated since April 2016.

First quarter portfolio activity

Existing portfolio positions were carefully adjusted amid volatile, yet upward-trending biotechnology equity market. BB Biotech took further profits from the core positions in Incyte, Celgene and Actelion – generating cash to increase its core positions in Novo Nordisk, Ionis and in several of its mid-sized investments.

Continuing its strategy of investing in new promising smaller and mid-cap companies, BB Biotech added Five Prime Therapeutics to its portfolio in the first quarter of 2017. Located in South San Francisco, Five Prime is developing its lead asset FPA008, an anti-CSF1R (macrophage colony stimulating factor) antibody which blocks CSF1 and IL34 ligand binding. FPA008 is in clinical trials as monotherapy and in combination with Opdivo, Bristol Myers Squibb's PD1 antibody, in cancer patients. The same antibody is being developed for pigmented villonodular synovitis (PVNS), a macrophage-driven tumor. In PVNS, macrophages express high levels of CSF1 and attract cells with CSF1 receptors to the joint, leading to the accumulation of non-neoplastic cells that form a tumor. Results for the Phase II study are expected in 2017.

Solid progress of portfolio holdings

Incyte (+33.3% in USD during 1Q 2017), BB Biotech's largest position at the end of March, announced further progress in the clinical development of epacadostat, an IDO1 inhibitor. Incyte will begin additional pivotal studies testing epacadostat in combination with Merck's Keytruda as well as with Bristol-Myers Squibb's Opdivo. These moves position epacadostat as a leading agent which is likely to be combined with approved, market leading PD1 antibodies. The Phase II data, which prompted these exciting additional trials, will be presented in June at the 2017 meeting of the American Society of Clinical Oncology (ASCO).

Ionis (–16.0% in USD during 1Q 2017) announced Phase III data for volanesorsen in patients with familial chylomicronemia syndrome (FCS). The primary endpoint – triglyceride lowering – was met, showing a 77% reduction for volanesorsen versus an 18% increase for control group patients. But in addition, investors focused on safety data – and were disappointed by reports of thrombocytopenia and injection site reactions, leading to a significant correction of Ionis' share price. Never-

theless, BB Biotech is encouraged that there were no further cases of severe thrombocytopenia nor patient dropouts during the final 6-months of the study, following implementation of a monitoring program. Ionis intends to file volanesorsen for marketing approval in the US in the third quarter of 2017.

In late January, Johnson & Johnson announced their intention to acquire Actelion (+28.0% in CHF during 1Q 2017) for USD 30 bn, or USD 280 per Actelion share. BB Biotech's end of Q1 2017 position means the sale will generate around USD 270 mn in cash upon once the deal is closed. In addition, BB Biotech will receive approximately one million shares of Idorsia, the spinout company that will retain Actelion's earlier stage pipeline. The main offer period ended on March 30, 2017, by which time 73.3% of Actelion's outstanding shares had been tendered and Actelion's shareholders had voted in favor of the demerger of Idorsia. BB Biotech believes that the transaction is on track to be completed in the second quarter of 2017.

Vertex (+48.4% in USD during 1Q 2017) reported positive data from two Phase III studies of Kalydeco plus VX-661 in cystic fibrosis. Slightly better efficacy, but significantly improved tolerability were reported for patients who are carriers of the F508 deletion mutation on both alleles (so-called homozygotes), compared to Vertex's other product, Orkambi. Strong clinical benefit and good tolerability were reported for patients with residual function of the CFTR gene. If approved, the combination of VX-661 and Kalydeco should enable use of the treatment both in patients with residual function and also in some patients who previously stopped their Orkambi monotherapy treatment. Additional new data for various triple combination treatments (Kalydeco, Orkambi and VX-661 together) are eagerly anticipated in the second half of 2017.

Kite (+75% in USD during 1Q 2017) released positive topline results from their complete pivotal trial population given KTE-019 to treat relapsed/refractory diffuse large B cell lymphoma (DLBCL). The data showed an impressive overall response rate of 82% including an initial complete response rate of 49%, (31% at 6 months) in this difficult-to-treat population. The median survival of the patients had not been reached after 8.7 months of follow-up. These data compare favorably with the initial complete response rate of just 8% and median survival of 6.6 months for historical controls. BB Biotech anticipates the approval of KTE-019 by the US FDA during 2017.

Esperion's share price (+182% in USD during 1Q 2017) benefited strongly from Amgen's positive cardiovascular outcomes trial data for its PCSK9 antibody, Repatha. Amgen's data demonstrated once more that lowering LDL-cholesterol levels reduces clinical cardiovascular risk. Esperion also received encouraging news that the FDA is willing to grant an initial approval based on demonstration of LDL-cholesterol lowering.

*«Our portfolio companies
are delivering drugs for
unmet medical needs and
have an increasing focus on a
pharmaco-economic
driven price policy»*

Outlook

BB Biotech expects the US healthcare reform debate to simmer (discussion of the Affordable Care Act continues in Congress). Unless there is rapid consensus and action, which seems unlikely, the debate seems likely to focus on access to care and coverage – rather than purely on healthcare costs. However, drug pricing may remain a popular topic for Presidential tweets, and more serious initiatives may be expected around «best-prices» and «value-based prices» during 2017 and beyond. Each of these topics – particularly when tweeted by Donald Trump – will continue to rattle media interest and investor sentiment, but the related risk appears to be priced in for some time now.

In contrast to the perennial political debate around drug prices and government payment, the biopharmaceutical industry has experienced increasing pressure on drug prices and on patient access by pharmacy benefit managers (PBMs) and private insurance companies for years. BB Biotech's long standing criteria for selecting investments in companies delivering drugs for unmet medical needs and an increasing focus on pharmaco-economic driven price policy are solid grounds for confidence in its investments.


For the remainder of 2017, BB Biotech expects a series of late stage clinical trial read-outs and an increase in the number of product approvals during 2017 compared to 2016. Merger and acquisition activities are also expected to continue to drive the performance of the biotech sector from time-to-time. Johnson & Johnson's acquisition of Actelion is expected to deliver significant cash for BB Biotech in the second quarter. BB Biotech will consider selective increases in undervalued portfolio positions and continue to add promising new smaller and mid-cap positions to its investment portfolio.

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 March 31, 2017

Company	Number of securities	Change since 12/31/2016	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Incyte	3 489 822	(390 000)	USD	133.67	468.0	13.3%	14.5%	1.7%
Celgene	3 339 298	(120 000)	USD	124.43	416.8	11.8%	13.0%	0.4%
Ionis Pharmaceuticals	7 461 295	548 123	USD	40.20	300.9	8.5%	9.4%	6.0%
Actelion	963 882	(217 554)	CHF	282.20	272.0	7.7%	8.5%	0.9%
Gilead	2 774 596	–	USD	67.92	189.1	5.4%	5.9%	0.2%
Radius Health	4 540 399	180 000	USD	38.65	176.0	5.0%	5.5%	10.9%
Agios Pharmaceuticals	2 839 528	30 000	USD	58.40	166.4	4.7%	5.2%	6.7%
Vertex Pharmaceuticals	1 455 445	40 000	USD	109.35	159.7	4.5%	5.0%	0.6%
Alexion Pharmaceuticals	1 229 428	–	USD	121.24	149.5	4.2%	4.6%	0.5%
Neurocrine Biosciences	3 201 552	50 000	USD	43.30	139.1	3.9%	4.3%	3.7%
Tesaro	824 582	(150 000)	USD	153.87	127.3	3.6%	4.0%	1.5%
Novo Nordisk	3 527 598	441 746	DKK	239.50	121.3	3.4%	3.8%	0.2%
Halozyme Therapeutics	7 749 832	150 000	USD	12.96	100.8	2.9%	3.1%	6.0%
Regeneron Pharmaceuticals	245 000	–	USD	387.51	95.2	2.7%	3.0%	0.2%
Sage Therapeutics	972 439	(50 000)	USD	71.07	69.3	2.0%	2.2%	2.6%
Alnylam Pharmaceuticals	1 241 338	50 000	USD	51.25	63.8	1.8%	2.0%	1.4%
Kite Pharma	740 000	(60 000)	USD	78.49	58.3	1.7%	1.8%	1.3%
Esperion Therapeutics	1 408 542	100 000	USD	35.31	49.9	1.4%	1.6%	6.2%
Juno Therapeutics	2 185 000	315 000	USD	22.19	48.6	1.4%	1.5%	2.1%
Macrogenics	2 260 000	340 000	USD	18.60	42.2	1.2%	1.3%	6.5%
Swedish Orphan Biovitrum	2 896 848	(1 552 486)	SEK	128.90	41.8	1.2%	1.3%	1.1%
Myovant Sciences	3 302 835	110 000	USD	11.74	38.9	1.1%	1.2%	5.5%
Alder Biopharmaceuticals	1 685 150	–	USD	20.80	35.2	1.0%	1.1%	3.3%
Intra-Cellular Therapies	1 925 000	350 000	USD	16.25	31.4	0.9%	1.0%	4.4%
Intercept Pharmaceuticals	255 719	–	USD	113.10	29.0	0.8%	0.9%	1.0%
Five Prime Therapeutics	727 500	727 500	USD	36.15	26.4	0.7%	0.8%	2.5%
AveXis	332 800	(20 000)	USD	76.03	25.4	0.7%	0.8%	1.2%
Prothena Corp.	350 000	–	USD	55.79	19.6	0.6%	0.6%	0.9%
Probiodrug	1 050 784	–	EUR	15.78	17.7	0.5%	0.6%	12.8%
Novavax	8 330 000	–	USD	1.28	10.7	0.3%	0.3%	3.1%
Puma Biotechnology	245 616	3 625	USD	37.20	9.2	0.3%	0.3%	0.7%
Cidara Therapeutics	1 043 824	–	USD	7.80	8.2	0.2%	0.3%	6.2%
PTC Therapeutics	682 912	–	USD	9.84	6.7	0.2%	0.2%	2.0%
Achillion Pharmaceuticals	1 279 340	–	USD	4.21	5.4	0.2%	0.2%	0.9%
Radius Health warrants, 04/23/2018	107 114	–	USD	25.15	2.7	0.1%	0.1%	
Radius Health warrants, 02/19/2019	71 409	–	USD	25.98	1.9	0.1%	0.1%	
Total securities					3 524.2	100.0%	109.5%	
Other assets					7.3		0.2%	
Other payables					(313.7)		(9.7%)	
Net asset value					3 217.9		100.0%	
BB Biotech registered shares ¹⁾	158 680	142 965			9.0			0.3%

¹⁾ Correspond to the total of all own shares held including the second trading line

Exchange rates as at 03/31/2017:

USD/CHF: 1.00320; DKK/CHF: 14.36200; EUR/CHF: 1.06863; SEK/CHF: 11.18280

Investment strategy

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

Focus on equity investments

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

Fundamental, bottom-up investment process

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

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

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

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

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

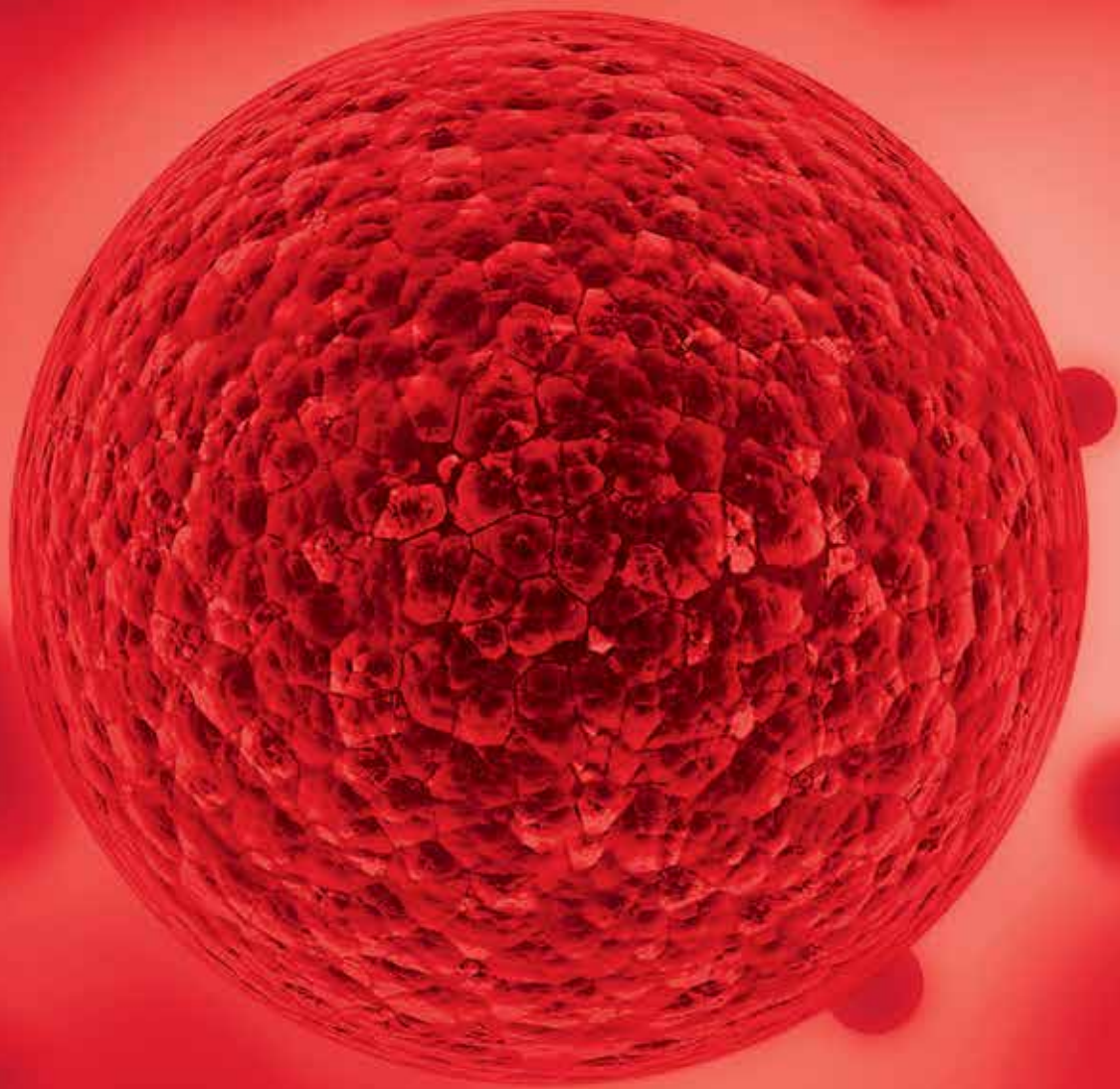
Portfolio with clear areas of focus

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

S-curve concept

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

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



Consolidated balance sheet

(in CHF 1 000)

	Notes	2017/03/31	2016/12/31
Current assets			
Cash and cash equivalents		6 202	10 229
Receivables from brokers		1 076	10 151
Securities at fair value through profit or loss	4	3 524 238	3 205 856
Other assets		2	1
		3 531 518	3 226 237
Total assets		3 531 518	3 226 237
Current liabilities			
Short-term borrowings from banks	5	310 000	205 000
Payables to brokers		–	14 593
Other short-term liabilities		3 569	3 483
Tax liabilities		97	142
		313 666	223 218
Total liabilities		313 666	223 218
Shareholders' equity			
Share capital	6	11 080	11 080
Treasury shares	6	(9 086)	(859)
Retained earnings		3 215 858	2 992 798
		3 217 852	3 003 019
Total liabilities and shareholders' equity		3 531 518	3 226 237
Net asset value per share in CHF		58.25	54.20

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

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

Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01–03/31/2017	01/01–03/31/2016
Operating income			
Gains from marketable securities	4	383 000	–
Dividend income		2 720	2 293
Other income		4	137
		385 724	2 430
Operating expenses			
Losses from marketable securities	4	–	(1 197 796)
Finance expenses		(203)	(214)
Foreign exchange losses net		(247)	(141)
Administrative expenses	7	(8 775)	(8 081)
Other expenses		(1 492)	(1 673)
		(10 717)	(1 207 905)
Operating income before tax	8	375 007	(1 205 475)
Income taxes		(8)	(7)
Net income for the period		374 999	(1 205 482)
Total comprehensive income for the period		374 999	(1 205 482)
Income per share in CHF		6.78	(21.75)
Diluted income per share in CHF		6.77	(21.74)

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

Consolidated statement of changes in equity

(in CHF 1 000)

	Share capital	Treasury shares	Retained earnings	Total
Balances at January 1, 2016	11 850	(119 332)	4 085 640	3 978 158
Cash distribution/dividend	–	–	(160 489)	(160 489)
Trade with treasury shares (incl. change in balance)	–	(14 269)	1	(14 268)
Share-based remuneration	–	–	29	29
Total comprehensive income for the period	–	–	(1 205 482)	(1 205 482)
Balances at March 31, 2016	11 850	(133 601)	2 719 699	2 597 948
Balances at January 1, 2017	11 080	(859)	2 992 798	3 003 019
Dividend	–	–	(152 066)	(152 066)
Trade with treasury shares (incl. change in balance)	–	(8 227)	102	(8 125)
Share-based remuneration	–	–	25	25
Total comprehensive income for the period	–	–	374 999	374 999
Balances at March 31, 2017	11 080	(9 086)	3 215 858	3 217 852

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

Consolidated statement of cash flow

(in CHF 1 000)

	Notes	01/01/–03/31/2017	01/01/–03/31/2016
Cash flows from operating activities			
Proceeds from sales of securities	4	195 235	36 983
Purchase of securities	4	(135 334)	(50 379)
Dividend receipts		2 720	2 293
Payments for services		(10 155)	(10 271)
Income taxes paid		(52)	(22)
Total cash flows from operating activities		52 414	(21 396)
Cash flows from financing activities			
Cash distribution/dividend		(152 066)	(160 489)
Proceeds from sales of treasury shares	6	1 542	22 409
Purchase of treasury shares	6	(10 467)	(35 009)
Borrowing of bank loans	5	105 000	190 000
Interest payments		(203)	(214)
Total cash flows from financing activities		(56 194)	16 697
Foreign exchange difference		(247)	(141)
Change in cash and cash equivalents		(4 027)	(4 840)
Cash and cash equivalents at the beginning of the period		10 229	21 059
Cash and cash equivalents at the end of the period		6 202	16 219
Cash and cash equivalents		6 202	16 219
Cash and cash equivalents at the end of the period		6 202	16 219

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

1. The Company and its principal activity

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

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

2. Accounting policies

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

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

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

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

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

3. Financial risk management

Currency risk

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

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

Currency	03/31/2017	12/31/2016
USD	1.00320	1.02000
EUR	1.06863	1.06725
DKK	14.36200	14.40350
SEK	11.18280	11.19630

Fair values

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

2017/03/31	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Listed shares	3 519 674	–	–	3 519 674
– Derivative instruments	–	4 564	–	4 564
Total assets	3 519 674	4 564	–	3 524 238
2016/12/31				
Assets				
Securities at fair value through profit or loss				
– Listed shares	3 201 135	–	–	3 201 135
– Derivative instruments	–	4 721	–	4 721
Total assets	3 201 135	4 721	–	3 205 856

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

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

4. Financial assets

Marketable securities

Marketable securities comprise the following:

Company	Number 12/31/2016	Change	Number 03/31/2017	Market price in original currency 03/31/2017	Valuation CHF mn 03/31/2017	Valuation CHF mn 12/31/2016	
Incyte	3 879 822	(390 000)	3 489 822	USD	133.67	468.0	396.8
Celgene	3 459 298	(120 000)	3 339 298	USD	124.43	416.8	408.4
Ionis Pharmaceuticals	6 913 172	548 123	7 461 295	USD	40.20	300.9	337.3
Actelion	1 181 436	(217 554)	963 882	CHF	282.20	272.0	260.5
Gilead	2 774 596	–	2 774 596	USD	67.92	189.1	202.7
Radius Health	4 360 399	180 000	4 540 399	USD	38.65	176.0	169.1
Agios Pharmaceuticals	2 809 528	30 000	2 839 528	USD	58.40	166.4	119.6
Vertex Pharmaceuticals	1 415 445	40 000	1 455 445	USD	109.35	159.7	106.4
Alexion Pharmaceuticals	1 229 428	–	1 229 428	USD	121.24	149.5	153.4
Neurocrine Biosciences	3 151 552	50 000	3 201 552	USD	43.30	139.1	124.4
Tesaro	974 582	(150 000)	824 582	USD	153.87	127.3	133.7
Novo Nordisk	3 085 852	441 746	3 527 598	DKK	239.50	121.3	113.2
Halozyne Therapeutics	7 599 832	150 000	7 749 832	USD	12.96	100.8	76.6
Regeneron Pharmaceuticals	245 000	–	245 000	USD	387.51	95.2	91.7
Sage Therapeutics	1 022 439	(50 000)	972 439	USD	71.07	69.3	53.2
Alnylam Pharmaceuticals	1 191 338	50 000	1 241 338	USD	51.25	63.8	45.5
Kite Pharma	800 000	(60 000)	740 000	USD	78.49	58.3	36.6
Esperion Therapeutics	1 308 542	100 000	1 408 542	USD	35.31	49.9	16.7
Juno Therapeutics	1 870 000	315 000	2 185 000	USD	22.19	48.6	36.0
Macrogenics	1 920 000	340 000	2 260 000	USD	18.60	42.2	40.0
Swedish Orphan Biovitrum	4 449 334	(1 552 486)	2 896 848	SEK	128.90	41.8	53.2
Myovant Sciences	3 192 835	110 000	3 302 835	USD	11.74	38.9	40.5
Alder Biopharmaceuticals	1 685 150	–	1 685 150	USD	20.80	35.2	35.8
Intra-Cellular Therapies	1 575 000	350 000	1 925 000	USD	16.25	31.4	24.2
Intercept Pharmaceuticals	255 719	–	255 719	USD	113.10	29.0	28.3
Five Prime Therapeutics	–	727 500	727 500	USD	36.15	26.4	–
AveXis	352 800	(20 000)	332 800	USD	76.03	25.4	17.2
Prothena Corp.	350 000	–	350 000	USD	55.79	19.6	17.6
Probiobdrug	1 050 784	–	1 050 784	EUR	15.78	17.7	20.2
Novavax	8 330 000	–	8 330 000	USD	1.28	10.7	10.7
Puma Biotechnology	241 991	3 625	245 616	USD	37.20	9.2	7.6
Cidara Therapeutics	1 043 824	–	1 043 824	USD	7.80	8.2	11.1
PTC Therapeutics	682 912	–	682 912	USD	9.84	6.7	7.6
Achillion Pharmaceuticals	1 279 340	–	1 279 340	USD	4.21	5.4	5.4
Listed shares						3 519.7	3 201.2
Total shares						3 519.7	3 201.2
Radius Health, warrants, USD 14, 04/23/2018	107 114	–	107 114	USD	25.15	2.7	2.8
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD	25.98	1.9	1.9
Merck & Co Inc contingent value rights – ex Trius/Cubist	545 927	(545 927)	–	USD	n.a.	–	–
Total derivative instruments						4.6	4.7
Total securities at fair value through profit or loss						3 524.2	3 205.9

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

	Listed shares	Derivative instruments	Total
Opening balance as at 01/01/2016 at fair values	4 109 821	8 808	4 118 629
Purchases	379 793	–	379 793
Sales	(518 859)	–	(518 859)
Realized gains	119 314	–	119 314
Realized losses	(116 649)	–	(116 649)
Unrealized gains	184 048	–	184 048
Unrealized losses	(956 333)	(4 087)	(960 420)
Net gains/(losses) from securities	(769 620)	(4 087)	(773 707)
Closing balance as at 12/31/2016 at fair values	3 201 135	4 721	3 205 856
Opening balance as at 01/01/2017 at fair values	3 201 135	4 721	3 205 856
Purchases	121 541	–	121 541
Sales	(186 159)	–	(186 159)
Realized gains	29 039	–	29 039
Unrealized gains	458 850	–	458 850
Unrealized losses	(104 732)	(157)	(104 889)
Net gains/(losses) from securities	383 157	(157)	383 000
Closing balance as at 03/31/2017 at fair values	3 519 674	4 564	3 524 238

5. Short-term borrowings from banks

At March 31, 2017, a CHF 310 mn short-term loan is outstanding with interest payable at 0.40% p.a. (December 31, 2016: CHF 205 mn at 0.40% p.a.).

6. Shareholders' equity

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

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

In addition, the General Shareholders' Meeting held March 17, 2016, has approved a share buy-back program, whereby up to 5 540 000 shares may be repurchased by the Company. Until March 31, 2017, no shares had been repurchased under this share buy-back program.

From January 1, 2017, through March 31, 2017, 168 965 shares were purchased at an average price of CHF 57.21 and 26 000 shares were sold at an average price of CHF 59.32 (01/01–03/31/2016: Purchase of 722 065 shares at an average price of CHF 48.48/Sale of 420 790 shares at an average price of CHF 49.28). The five-for-one share split as at March 29, 2016, is accounted for in these values. At March 31, 2017, the holding in own shares amounts to 158 680 shares (December 31, 2016: 15 715 shares).

7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–03/31/2017	01/01–03/31/2016
Fund manager		
– Management fees (incl. VAT)	8 488	7 797
Personnel		
– Board of Directors remuneration	253	257
– Wages and salaries	14	14
– Social insurance contributions and duties	20	13
	8 775	8 081

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

At the General Shareholders' Meeting held March 19, 2014, the variable, share based remuneration of the Board of Directors for the business year 2013 was approved. Therefore, the vesting period of the performance based remuneration ended on March 18, 2017. During the three-year vesting period all performance targets were met. Therefore, 18 445 shares are due. The payment in lieu will be carried out in treasury shares after the publication of the quarterly report as of March 31, 2017. In the current period, CHF 25 (01/01/–03/31/2016: CHF 29) have been recognized for equity compensation plans.

8. Segment information

(in CHF 1 000)

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

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

Operating income before tax	01/01/–03/31/2017	01/01/–03/31/2016
USA	323 382	(1 169 004)
Switzerland	59 285	6 962
Sweden	9 288	(13 597)
Ireland	2 028	(9 649)
Germany	(2 495)	(444)
Great Britain	(2 864)	–
Denmark	(4 962)	(11 751)
Curaçao	(8 655)	(7 992)
	375 007	(1 205 475)

9. Assets pledged

At March 31, 2017, the securities in the amount of CHF 3 015.5 mn (December 31, 2016: CHF 2 695.9 mn) are a collateral for a credit line of CHF 400 mn (December 31, 2016: CHF 400 mn). At March 31, 2017, a CHF 310 mn short-term loan is outstanding (December 31, 2016: CHF 205 mn).

10. Related party transactions

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

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

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

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

12. Significant shareholders

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

13. Subsequent events

There have been no events subsequent to March 31, 2017, which would affect the condensed consolidated interim financial statements.



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

Introduction

We have reviewed the condensed consolidated interim financial statements (balance sheet, statement of comprehensive income, statement of cash flow, statement of changes in equity and selected explanatory notes, pages 8 to 16) of BB Biotech AG for the period ended 31 March 2017. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard 34 «Interim Financial Reporting» and article 14 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers AG

Daniel Pajer
Audit expert
Auditor in charge

Martin Gubler
Audit expert

Zürich, 18 April 2017

Company profile

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

Official listing and share structure as at March 31, 2017

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

Shareholder information

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

Quotes and reports

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

Corporate calendar 2017

Interim Report as at June 30, 2017	July 21, 2017, 7.00 AM CET
Interim Report as at September 30, 2017	October 20, 2017, 7.00 AM CET

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

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

