



Interim Report as at September 30, 2017

BB Biotech

Multi-year comparison

	09/30/2017	2016	2015	2014	2013
Market capitalization at the end of the period (in CHF mn)	3 606.5	3 052.5	3 463.2	2 799.0	1 668.5
Net Asset Value at the end of the period (in CHF mn)	3 691.6	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)	2 153.7	3 204.5	6 265.2	3 186.6	1 289.3
Profit/(loss) (in CHF mn)	843.0	(802.1)	652.8	1 470.1	931.8
Closing price at the end of the period in CHF ¹⁾	65.10	55.10	58.45	47.24	28.16
Closing price (G) at the end of the period in EUR ¹⁾	56.99	51.70	53.99	39.60	23.04
Closing price (I) at the end of the period in EUR ¹⁾	56.95	51.60	54.18	39.34	23.08
Stock performance (incl. distributions)	24.2%	0.3%	28.2%	75.1%	66.0%
High/low share price in CHF ¹⁾	65.15/52.10	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)	(3.6%)	(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)	103.2%	109.9%	101.0%	104.6%	104.5%
Total Expense Ratio (TER) p.a.	1.23%	1.28%	1.13%	1.14%	1.02%

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

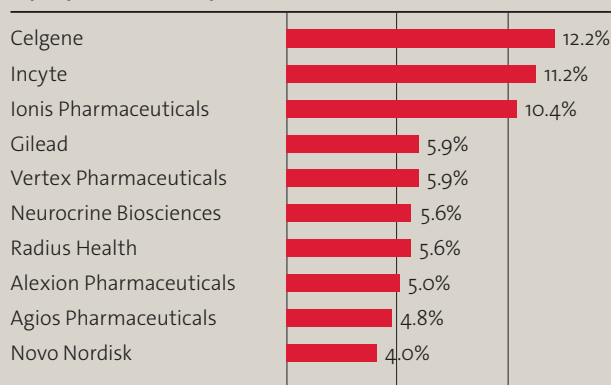
Share price trend since foundation (in CHF)



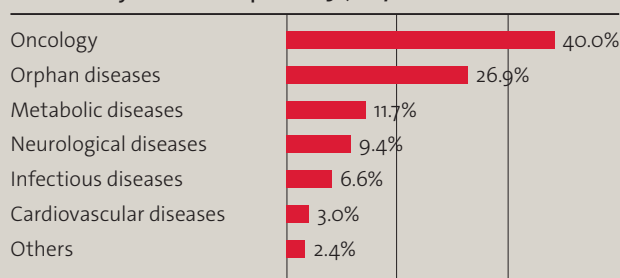
■ BB Biotech share
 ■ BB Biotech Net Asset Value
 ■ Nasdaq Biotech Index

Source: Bloomberg, 09/30/2017

Top 10 positions as at September 30, 2017



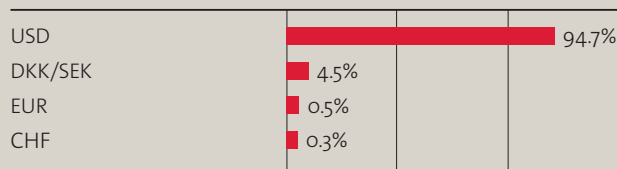
Breakdown by sector as at September 30, 2017



Performance (adjusted for distributions, in local currency)

As of 09/30/2017	YTD	3 years	5 years	11/15/93
Switzerland	+24.2%	+102.8%	+333.7%	+2135%
Germany	+15.7%	+113.9%	+356.5%	N.A.
Italy	+15.9%	+114.4%	+358.5%	N.A.

Breakdown by currency as at September 30, 2017



Weight in % of securities

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Dear shareholders,

During the third quarter US equity markets increased by around 5% (S&P Index 4.5%, Dow Jones Index 5.6% and Nasdaq Composite Index 6.1%), driven by solid corporate results and a continued favorable interest rate environment. European stocks increased by around 3% (DAX 4.1%, SMI 2.9%). Healthcare stocks traded higher – including a 7.7% increase in the Nasdaq Biotechnology Index. For the same period, BB Biotech shares gained 10.7% in CHF, 6.4% in EUR and 9.6% in USD.

Gains by equities, including BB Biotech's stock, were opposed by currency fluctuations. For the third quarter, the US Dollar fell a further 3.4% versus the Euro, while gaining 1.1% versus the Swiss Franc. That brings currency headwinds for the year to –12.3% for the US Dollar against the Euro and –5.0% against the Swiss Franc.

Positive environment

BB Biotech expects continued inflows of funds into the biotech sector due to strong fundamentals. Many investors were underweight biotechnology during 2016 because of uncertainty about the US presidential election campaign and about US drug price controls. But as maintained on numerous occasions, BB Biotech expects incremental changes in the US health environment – Affordable Care Act reform has been stalled and pricing concerns are being managed carefully from all sides.

Like others, BB Biotech was encouraged by the appointment of Dr. Scott Gottlieb as Commissioner of the FDA and is not disturbed by the recent resignation of Gottlieb's superior, Tom Price, as HHS Secretary. The FDA has already approved more new drugs so far in 2017 than in all of 2016.

Several factors drove favorable biotech performance during the third quarter. High-revenue companies reported solid Q2 2017 results. A significant number of products achieved regulatory approval, and progress was reported for a range of potentially valuable clinical candidates. Perhaps more significantly for the long-term outlook, the industry announced major breakthroughs with new approaches to medicines, including advancements with RNA-based drugs, novel gene therapies, cell-based therapies, and novel formats of antibodies. There are more exciting technologies on the horizon which offer potential transformative innovations, examples of which are gene editing CRISPR/Cas technology, and novel RNA-based therapies beyond antisense and RNA-interference.

Merger and acquisition trends

Merger and acquisition activity in the biotechnology sector has been subdued so far in 2017. So Gilead's announced acquisition of Kite for USD 12 bn came as a pleasant surprise to equity markets and has encouraged the belief that there's

more to come – not only from Gilead, which announced its intention to do more, perhaps encouraged by the market's response to their deal. Given the fundamental progress in the sector and US attempts at tax reform including potentially favorable terms for cash repatriation, BB Biotech anticipates a growing appetite among larger pharma firms and likely a pick-up in M&A activities going into 2018.

Third-quarter 2017 and year-to-date 2017 performance

For the third quarter BB Biotech's share return gained 10.7% in CHF, 6.4% in EUR and 9.6% in USD. Net Asset Value (NAV) performance for the third quarter was similar with gains of 11.0% in CHF, 6.2% in EUR and 9.8% in USD, ahead of the NBI's return of 7.7% in USD for the same period. This positive portfolio performance led to a net profit of CHF 365 mn for the third quarter compared to CHF 392 mn for the same period in 2016.

For the first nine months of 2017, BB Biotech's share return is 24.2% in CHF, 15.7% in EUR and 30.8% in USD. The NAV performance was better, with total returns of 28.8% in CHF, 20.2% in EUR and 35.6% in USD, well ahead of the NBI's total return of 26.5% in USD. Both the share and NAV returns include the dividend payment of CHF 2.75 per share that was paid on March 22, 2017. For the year-to-date 2017 period, value appreciation of portfolio investments led to a net profit of CHF 843 mn compared to a loss of CHF 778 mn for the same period in 2016.

Pipeline highlights and product updates from portfolio companies

Multiple pipeline events were reported in the third quarter. Alnylam, with its partner Sanofi, announced that Patisiran, an investigational RNAi therapeutic being developed for patients with hereditary ATTR amyloidosis with polyneuropathy, met all the clinical endpoints in the trial. Alnylam is planning to file a new drug application (US) in late 2017 and a market authorization application (EU) in early 2018. The news lifted Alnylam shares substantially as investors saw it as substantiation of the platform as well as great news for the product.

Vertex reported positive data from Phase I and Phase II studies of three investigational triple combination regimens for cystic fibrosis patients with one F508del mutation and one minimal function mutation. The data suggest that these investigational combinations may treat the underlying cause of cystic fibrosis in severe and difficult-to-treat types. Given the significant market opportunity for these combination regimens, Vertex's shares also increased substantially.

By contrast, Sage Therapeutics reported failure of brexanolone in super refractory status epilepticus. Investors have

made substantial bets on the strength of this potential indication – but BB Biotech managers were more cautious about such high expectations and had sold a substantial part of the position prior to the news. After the news, BB Biotech reacquired Sage shares at a lower price given its belief in the ultimate potential for brexanolone in post-partum depression.

Some of the portfolio holdings experienced volatility as the FDA enabled greater access to its Adverse Event Reporting System on the last day of September. The FDA move should ultimately support transparency regarding innovation, but for the short term, misinterpretation of the data may have effects on share prices. BB Biotech's investment in Intercept is an example here. The FDA disclosed all safety data in its reporting system for Intercept's product Ocaliva, which is used for severe liver disease. The newly released FDA data included previously unknown adverse events associated with higher-than-recommended dosages of the product. Investors overreacted and BB Biotech subsequently added to its Intercept position.

Product approvals from the portfolio holdings

Celgene, and partner Agios, won US market approval for enasidenib to treat adult patients with relapsed or refractory acute myeloid leukemia associated with an isocitrate dehydrogenase-2 (IDH2) gene mutation. Approval was granted based on an extended Phase I/II study which not only validated the efficacy and safety, but also demonstrates the FDA's increasing willingness to accelerate the approval of drugs for high unmet medical needs.

Gilead's Vosevi, a fixed-dose combination of sofosbuvir, velpatasvir and voxilaprevir, was approved by the FDA for treatment of adults with chronic hepatitis C. This builds further on Gilead's leading franchise.

Novo Nordisk's Fiasp (fast-acting insulin aspart) was also approved by the FDA. This is a new fast-acting mealtime insulin for adult diabetics. Novo's share price has also been spurred by the expected approval of Semaglutide, a once weekly GLP-1 analogue. If approved in 2017, Semaglutide will extend Novo Nordisk's GLP-1 franchise and allow them to compete more effectively against Eli Lilly's Trulicity. However, if approved, BB Biotech anticipates a slow uptake of Semaglutide and stiff price competition in the US market place.

Merger and acquisition activities within BB Biotech's portfolio

Gilead announced its proposed acquisition of Kite (an immuno-oncology company) for USD 180 per share (total value USD 12 bn). Kite anticipates approval of its CD19 CAR-T product in the fourth quarter of 2017. The acquisition has

been approved by the boards of both companies. BB Biotech sold its entire holding in Kite into the announced transaction – generating approximately USD 124 mn in cash and an overall profit of USD 75 mn from the investment. Stocks of several other midcap oncology companies rallied on the news. Juno, the closest competitor to Kite, rose significantly, adding to BB Biotech's NAV performance in the third quarter.

License deals

Licensing deals are less impactful on BB Biotech's portfolio than in prior years as companies become more and more valuable. However, Halozyme added to NAV performance in the third quarter after announcing deals with Bristol Myers Squibb and Roche for its drug delivery technology. The deals delivered non-dilutive upfront cash that bolstered Halozyme's balance sheet so that they can invest aggressively in their promising and unencumbered oncology assets.

BB Biotech provides fresh capital for companies

Improved equity markets led to significant fundraising by biotech companies in the third quarter. Five of BB Biotech's small and midcap companies, Esperion, Incyte, Alder, Intracellular and Juno, sold new shares, and Radius Health issued a convertible bond. BB Biotech participated in the Alder and Esperion deals and took the opportunity of share price pressure associated with Radius' debt offering to increase its holding in the company.

Few portfolio changes in the third quarter

During 2017, BB Biotech's investment portfolio has included 6.8% borrowing at the beginning of the year to a peak of 10.2% in May and to holding 0.3% in cash in August 2017. Fluctuations in leverage/deleverage resulted from major M&A transactions such as the sale of Actelion in the second quarter and Kite in the third quarter. Year-to-date cash outflow was mostly attributable to the CHF 2.75 per share dividend (total outflow CHF 152 mn).

During the third quarter, minor changes were made to the portfolio. Holdings in Incyte, Ionis and Regeneron were modestly increased. BB Biotech added to its holdings in Alder, Cidara, Esperion, Halozyme, Intercept and Tesaro, took further profits from Novo Nordisk, Celgene, and Swedish Orphan and sold its entire position in Kite.

No new investments were added to the portfolio. BB Biotech continues to look for new investment candidates and will add new positions if valuations are compelling.

Outlook for the sector and the portfolio

Looking ahead BB Biotech maintains its view of future incremental changes in drug pricing policies and practices in the US. Management continues to believe that excellent new

drugs, priced appropriately, will flourish and continues to incorporate value-for-money and pricing considerations in its financial models and valuation assumptions for new products of the biotechnology industry in order to deliver superior returns to BB Biotech shareholders.

Significant potential milestones for the remainder of 2017 include:

- FDA approval for Semaglutide for treating type 2 diabetes patients (Novo Nordisk)
- FDA approval for Axicabtagene Ciloleucl for lymphoma patients (Gilead/Kite)
- Phase III data for Brexanolone for treating postpartum depression (Sage Therapeutics)
- Phase III data for Revlimid in lymphoma patients (Celgene)
- Phase I/II data Ivosidenib for relapse refractory AML patients (Agiros)

In addition, investors are focused on important, ongoing commercial launches including Spinraza for spinal muscular atrophy (Biogen and Ionis), Ocaliva for primary biliary cholangitis (Intercept), Zejula for maintenance treatment of recurrent epithelial ovarian cancer (Tesaros), and Ingrezza for tardive dyskinesia (Neurocrine). Revenue growth of these drugs will drive profit forecasts and share price valuations for these companies.

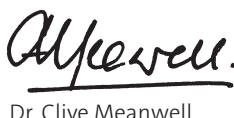
Overall, BB Biotech believes that the encouraging progress in biotechnology during the first nine months of 2017 will continue for the rest of 2017 and into 2018. Management anticipates more progress with exciting drug development programs, new approvals and commercial progress of marketed products.

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, 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
Celgene	3 184 298	(275 000)	USD	145.82	449.7	12.2%	12.2%	0.4%
Incyte	3 668 322	(211 500)	USD	116.74	414.8	11.2%	11.2%	1.7%
Ionis Pharmaceuticals	7 861 934	948 762	USD	50.70	386.0	10.4%	10.5%	6.3%
Gilead	2 774 596	–	USD	81.02	217.7	5.9%	5.9%	0.2%
Vertex Pharmaceuticals	1 475 445	60 000	USD	152.04	217.3	5.9%	5.9%	0.6%
Neurocrine Biosciences	3 462 753	311 201	USD	61.28	205.5	5.6%	5.6%	3.9%
Radius Health	5 498 799	1 138 400	USD	38.55	205.3	5.6%	5.6%	13.0%
Alexion Pharmaceuticals	1 354 428	125 000	USD	140.29	184.0	5.0%	5.0%	0.6%
Agius Pharmaceuticals	2 749 998	(59 530)	USD	66.75	177.8	4.8%	4.8%	5.7%
Novo Nordisk	3 169 279	83 427	DKK	301.00	146.6	4.0%	4.0%	0.2%
Halozyme Therapeutics	8 626 051	1 026 219	USD	17.37	145.1	3.9%	3.9%	6.1%
Alnylam Pharmaceuticals	1 111 338	(80 000)	USD	117.49	126.5	3.4%	3.4%	1.2%
Tesaro	996 193	21 611	USD	129.10	124.6	3.4%	3.4%	1.8%
Esperion Therapeutics	2 097 964	789 422	USD	50.12	101.8	2.8%	2.8%	8.2%
Juno Therapeutics	2 055 000	185 000	USD	44.86	89.3	2.4%	2.4%	1.8%
Regeneron Pharmaceuticals	205 000	(40 000)	USD	447.12	88.8	2.4%	2.4%	0.2%
Sage Therapeutics	1 092 439	70 000	USD	62.30	65.9	1.8%	1.8%	2.9%
Myovant Sciences	3 477 882	285 047	USD	15.47	52.1	1.4%	1.4%	5.7%
Macrogenics	2 400 412	480 412	USD	18.48	43.0	1.2%	1.2%	6.5%
AveXis	402 800	50 000	USD	96.73	37.7	1.0%	1.0%	1.3%
Intra-Cellular Therapies	2 200 000	625 000	USD	15.78	33.6	0.9%	0.9%	4.1%
Five Prime Therapeutics	777 500	777 500	USD	40.91	30.8	0.8%	0.8%	2.7%
Intercept Pharmaceuticals	485 719	230 000	USD	58.04	27.3	0.7%	0.7%	1.9%
Alder Biopharmaceuticals	2 266 008	580 858	USD	12.25	26.9	0.7%	0.7%	3.3%
Prothena Corp.	350 000	–	USD	64.77	22.0	0.6%	0.6%	0.9%
Swedish Orphan Biovitrum	1 316 873	(3 132 461)	SEK	125.00	19.6	0.5%	0.5%	0.5%
Probiodrug	1 050 784	–	EUR	13.91	16.7	0.5%	0.5%	12.8%
Cidara Therapeutics	1 335 272	291 448	USD	8.10	10.5	0.3%	0.3%	7.9%
Idorsia	557 580	557 580	CHF	17.30	9.6	0.3%	0.3%	0.5%
Novavax	8 330 000	–	USD	1.14	9.2	0.2%	0.2%	2.8%
Achillion Pharmaceuticals	1 279 340	–	USD	4.49	5.6	0.2%	0.2%	0.9%
Radius Health warrants, 04/23/2018	107 114	–	USD	24.69	2.6	0.1%	0.1%	
Radius Health warrants, 02/19/2019	71 409	–	USD	25.20	1.7	0.0%	0.0%	
Total securities					3 695.5	100.0%	100.1%	
Other assets					15.3		0.4%	
Other payables					(19.2)		(0.5%)	
Net asset value					3 691.6		100.0%	
BB Biotech registered shares ¹⁾	39 449	23 734			2.6			0.1%

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

Exchange rates as at 09/30/2017:

USD/CHF: 0.96850; DKK/CHF: 15.36990; EUR/CHF: 1.14399; SEK/CHF: 11.88050

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-

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.

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.

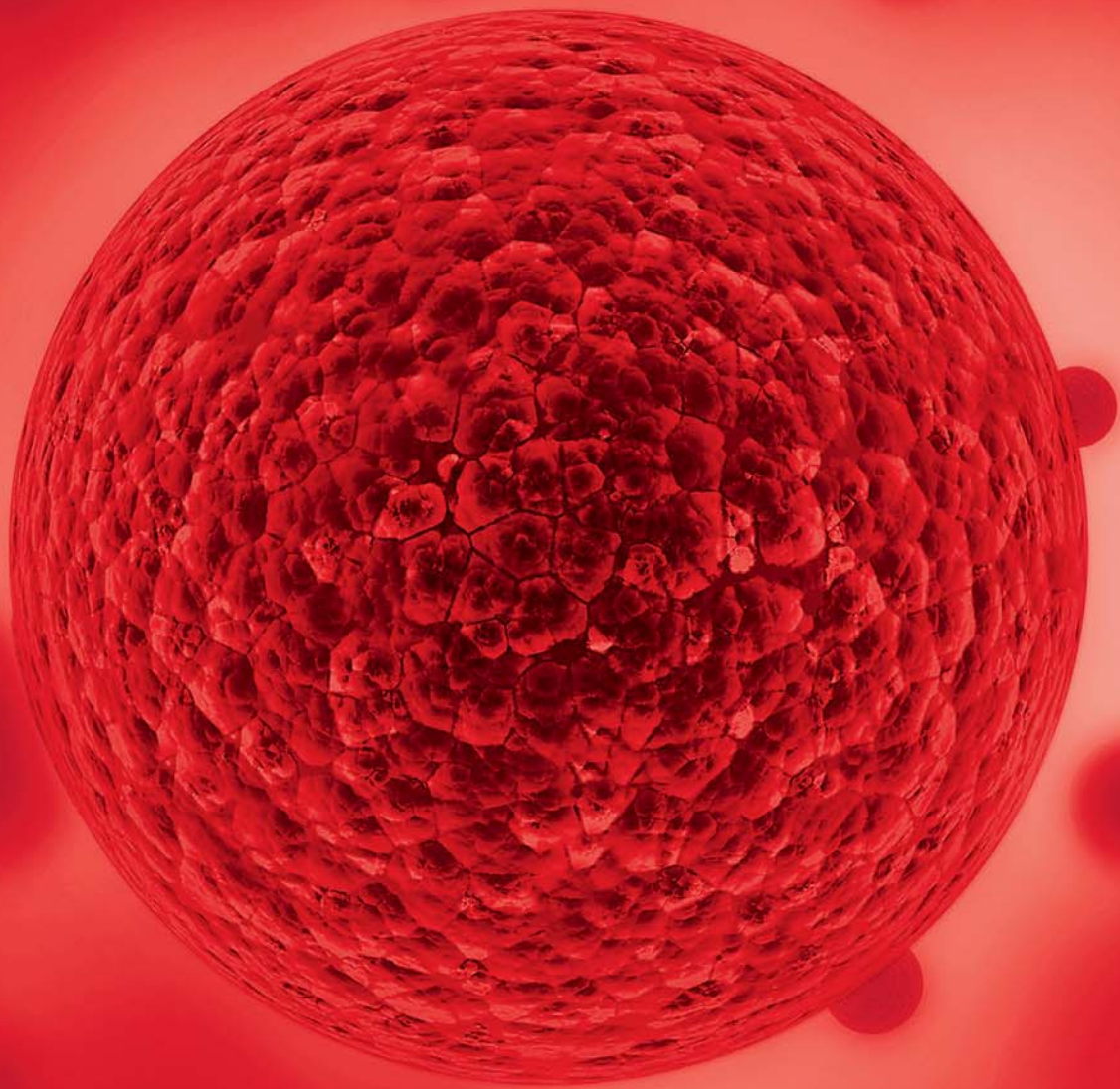
S-curve concept

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

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-

*«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	09/30/2017	12/31/2016
Current assets			
Cash and cash equivalents		10 994	10 229
Receivables from brokers		4 297	10 151
Securities at fair value through profit or loss	4	3 695 496	3 205 856
Other assets		2	1
		3 710 789	3 226 237
Total assets		3 710 789	3 226 237
Current liabilities			
Short-term borrowings from banks	5	15 000	205 000
Payables to brokers		–	14 593
Other short-term liabilities		4 094	3 483
Tax liabilities		114	142
		19 208	223 218
Total liabilities		19 208	223 218
Shareholders' equity			
Share capital	6	11 080	11 080
Treasury shares	6	(2 345)	(859)
Retained earnings		3 682 846	2 992 798
		3 691 581	3 003 019
Total liabilities and shareholders' equity		3 710 789	3 226 237
Net asset value per share in CHF		66.70	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 October 17, 2017.

Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/–09/30/2017	01/01/–09/30/2016	07/01/–09/30/2017	07/01/–09/30/2016
Operating income					
Net gains from securities	4	867 904	–	372 091	398 785
Dividend income		5 794	7 745	2 109	1 576
Foreign exchange gains net		129	318	801	491
Other income		4	137	–	–
		873 831	8 200	375 001	400 852
Operating expenses					
Net losses from securities	4	–	(757 995)	–	–
Finance expenses		(504)	(833)	(31)	(289)
Administrative expenses	7	(27 183)	(24 038)	(9 608)	(7 828)
Other expenses		(3 083)	(3 130)	(703)	(612)
		(30 770)	(785 996)	(10 342)	(8 729)
Operating income before tax	8	843 061	(777 796)	364 659	392 123
Income taxes		(28)	(22)	(10)	(7)
Net income for the period		843 033	(777 818)	364 649	392 116
Total comprehensive income for the period		843 033	(777 818)	364 649	392 116
Income per share in CHF		15.24	(14.06)	6.59	7.17
Diluted income per share in CHF		15.23	(14.05)	6.59	7.17

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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, 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
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)	–	(1 486)	(944)	(2 430)
Share-based remuneration	–	–	25	25
Total comprehensive income for the period	–	–	843 033	843 033
Balances at September 30, 2017	11 080	(2 345)	3 682 846	3 691 581

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/–09/30/2017	01/01/–09/30/2016
Cash flows from operating activities			
Proceeds from sales of securities	4	807 471	405 774
Purchase of securities	4	(437 146)	(270 772)
Dividend receipts		5 794	7 745
Payments for services		(29 631)	(28 009)
Income taxes paid		(52)	(171)
Total cash flows from operating activities		346 436	114 567
Cash flows from financing activities			
Cash distribution/dividend		(152 066)	(160 489)
Proceeds from sales of treasury shares	6	16 934	29 036
Purchase of treasury shares	6	(20 164)	(54 167)
(Repayment)/borrowing of bank loans	5	(190 000)	65 000
Interest payments		(504)	(833)
Total cash flows from financing activities		(345 800)	(121 453)
Foreign exchange difference		129	318
Change in cash and cash equivalents		765	(6 568)
Cash and cash equivalents at the beginning of the period		10 229	21 059
Cash and cash equivalents at the end of the period		10 994	14 491

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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	09/30/2017	12/31/2016
USD	0.96850	1.02000
EUR	1.14399	1.06725
DKK	15.36990	14.40350
SEK	11.88050	11.19630

Fair values

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

09/30/2017	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Listed shares	3 691 191	–	–	3 691 191
– Derivative instruments	–	4 305	–	4 305
Total assets	3 691 191	4 305	–	3 695 496
12/31/2016				
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 September 30, 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 09/30/2017	Market price in original currency 09/30/2017	Valuation CHF mn 09/30/2017	Valuation CHF mn 12/31/2016	
Celgene	3 459 298	(275 000)	3 184 298	USD	145.82	449.7	408.4
Incyte	3 879 822	(211 500)	3 668 322	USD	116.74	414.8	396.8
Ionis Pharmaceuticals	6 913 172	948 762	7 861 934	USD	50.70	386.0	337.3
Gilead	2 774 596	–	2 774 596	USD	81.02	217.7	202.7
Vertex Pharmaceuticals	1 415 445	60 000	1 475 445	USD	152.04	217.3	106.4
Neurocrine Biosciences	3 151 552	311 201	3 462 753	USD	61.28	205.5	124.4
Radius Health	4 360 399	1 138 400	5 498 799	USD	38.55	205.3	169.1
Alexion Pharmaceuticals	1 229 428	125 000	1 354 428	USD	140.29	184.0	153.4
Agios Pharmaceuticals	2 809 528	(59 530)	2 749 998	USD	66.75	177.8	119.6
Novo Nordisk	3 085 852	83 427	3 169 279	DKK	301.00	146.6	113.2
Halozyme Therapeutics	7 599 832	1 026 219	8 626 051	USD	17.37	145.1	76.6
Alnylam Pharmaceuticals	1 191 338	(80 000)	1 111 338	USD	117.49	126.5	45.5
Tesaro	974 582	21 611	996 193	USD	129.10	124.6	133.7
Esperion Therapeutics	1 308 542	789 422	2 097 964	USD	50.12	101.8	16.7
Juno Therapeutics	1 870 000	185 000	2 055 000	USD	44.86	89.3	36.0
Regeneron Pharmaceuticals	245 000	(40 000)	205 000	USD	447.12	88.8	91.7
Sage Therapeutics	1 022 439	70 000	1 092 439	USD	62.30	65.9	53.2
Myovant Sciences	3 192 835	285 047	3 477 882	USD	15.47	52.1	40.5
MacroGenics	1 920 000	480 412	2 400 412	USD	18.48	43.0	40.0
AveXis	352 800	50 000	402 800	USD	96.73	37.7	17.2
Intra-Cellular Therapies	1 575 000	625 000	2 200 000	USD	15.78	33.6	24.2
Five Prime Therapeutics	–	777 500	777 500	USD	40.91	30.8	–
Intercept Pharmaceuticals	255 719	230 000	485 719	USD	58.04	27.3	28.3
Alder Biopharmaceuticals	1 685 150	580 858	2 266 008	USD	12.25	26.9	35.8
Prothena Corp.	350 000	–	350 000	USD	64.77	22.0	17.6
Swedish Orphan Biovitrum	4 449 334	(3 132 461)	1 316 873	SEK	125.00	19.6	53.2
ProbiDRUG	1 050 784	–	1 050 784	EUR	13.91	16.7	20.2
Cidara Therapeutics	1 043 824	291 448	1 335 272	USD	8.10	10.5	11.1
Idorsia	–	557 580	557 580	CHF	17.30	9.6	–
Novavax	8 330 000	–	8 330 000	USD	1.14	9.2	10.7
Achillion Pharmaceuticals	1 279 340	–	1 279 340	USD	4.49	5.6	5.4
Actelion	1 181 436	(1 181 436)	–	CHF	n.a.	–	260.5
Kite Pharma	800 000	(800 000)	–	USD	n.a.	–	36.6
Puma Biotechnology	241 991	(241 991)	–	USD	n.a.	–	7.6
PTC Therapeutics	682 912	(682 912)	–	USD	n.a.	–	7.6
Listed shares						3 691.2	3 201.2
Total shares						3 691.2	3 201.2
Radius Health, warrants, USD 14, 04/23/2018	107 114	–	107 114	USD	24.69	2.6	2.8
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD	25.20	1.7	1.9
Merck & Co Inc contingent value rights – ex Trius/Cubist	545 927	(545 927)	–	USD	n.a.	–	–
Total derivative instruments						4.3	4.7
Total securities at fair value through profit or loss						3 695.5	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	423 353	–	423 353
Sales	(801 617)	–	(801 617)
Realized gains	227 681	–	227 681
Unrealized gains	704 767	–	704 767
Unrealized losses	(64 128)	(416)	(64 544)
Net gains/(losses) from securities	868 320	(416)	867 904
Closing balance as at 09/30/2017 at fair values	3 691 191	4 305	3 695 496

5. Short-term borrowings from banks

At September 30, 2017, a CHF 15 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 September 30, 2017, no shares had been repurchased under this share buy-back program.

From January 1, 2017, through September 30, 2017, 316 553 shares were purchased at an average price of CHF 57.76 and 292 819 shares were sold at an average price of CHF 57.83 (01/01–09/30/2016: Purchase of 1 130 328 shares at an average price of CHF 47.92/Sale of 552 738 shares at an average price of CHF 49.51). The five-for-one share split as at March 29, 2016, is accounted for in these values. At September 30, 2017, the holding in own shares amounts to 39 449 shares (December 31, 2016: 15 715 shares).

7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–09/30/2017	01/01–09/30/2016
Fund manager		
– Management fees (incl. VAT)	26 394	23 184
Personnel		
– Board of Directors remuneration	708	771
– Wages and salaries	41	41
– Social insurance contributions and duties	40	42
	27 183	24 038

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 were due. The payment in lieu was carried out in treasury shares on April 24, 2017. In the current period, CHF 25 (01/01/–09/30/2016: CHF 89) 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/–09/30/2017	01/01/–09/30/2016
USA	748 324	(745 060)
Switzerland	64 859	55 329
Denmark	36 422	(38 948)
Sweden	10 966	(19 576)
Great Britain	8 389	–
Ireland	4 395	(3 110)
Germany	(3 499)	(2 483)
Curaçao	(26 795)	(23 948)
	843 061	(777 796)

9. Assets pledged

At September 30, 2017, the securities in the amount of CHF 3 104.8 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 September 30, 2017, a CHF 15 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 September 30, 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 September 30, 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 September 30, 2017 and December 31, 2016.

13. Subsequent events

There have been no events subsequent to September 30, 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 30 September 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 October 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 September 30, 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 2018

Portfolio as at December 31, 2017	January 19, 2018, 7.00 AM CET
Annual Report as at December 31, 2017	February 16, 2018, 7.00 AM CET
Annual General Meeting 2018	March 13, 2018
Interim Report as at March 31, 2018	April 20, 2018, 7.00 AM CET
Interim Report as at June 30, 2018	July 20, 2018, 7.00 AM CET
Interim Report as at September 30, 2018	October 19, 2018, 7.00 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.

Investor Relations



Dr. Silvia Schanz
Phone +41 44 267 72 66
E-Mail ssc@bellevue.ch



Claude Mikkelsen
Phone +44 203 770 67 85
E-Mail cmi@bellevue.ch



Maria-Grazia Iten-Alderuccio
Phone +41 44 267 67 14
E-Mail mga@bellevue.ch

Media Relations



Tanja Chicherio
Phone +41 44 267 67 07
E-Mail tch@bellevue.ch

BB Biotech AG

Schwertstrasse 6
CH-8200 Schaffhausen
E-Mail info@bbbiotech.ch
www.bbbiotech.com

Bellevue Asset Management AG

Seestrasse 16/P.O. Box
CH-8700 Küsnacht
Phone +41 44 267 67 00
Fax +41 44 267 67 01
E-Mail info@bellevue.ch
www.bellevue.ch

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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.»*

