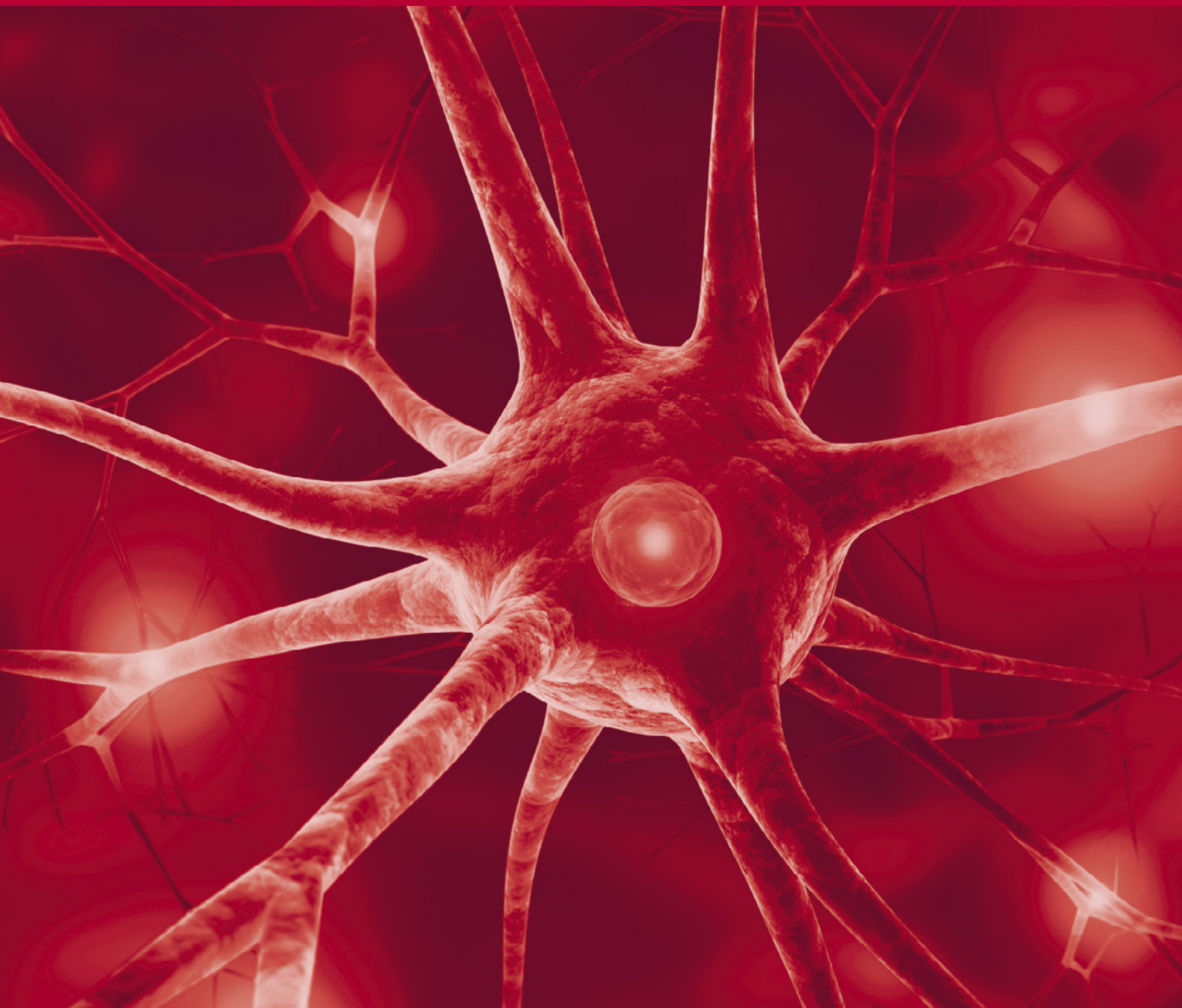


Interim Report as at September 30, 2018



**B|B Biotech**

## Multi-year comparison

	09/30/2018	2017	2016	2015	2014
Market capitalization at the end of the period (in CHF mn)	3 983.3	3 576.1	3 052.5	3 463.2	2 799.0
Net Asset Value at the end of the period (in CHF mn)	3 527.4	3 538.7	3 003.0	3 978.2	3 492.5
Number of shares (in mn) <sup>1)</sup>	55.4	55.4	55.4	59.3	59.3
Trading volume (in CHF mn)	1 942.5	2 864.7	3 204.5	6 265.2	3 186.6
Profit/(loss) (in CHF mn)	171.5	687.5	(802.1)	652.8	1 470.1
Closing price at the end of the period in CHF <sup>1)</sup>	71.90	64.55	55.10	58.45	47.24
Closing price (G) at the end of the period in EUR <sup>1)</sup>	62.80	55.68	51.70	53.99	39.60
Closing price (I) at the end of the period in EUR <sup>1)</sup>	63.00	55.20	51.60	54.18	39.34
Stock performance (incl. distributions)	16.8%	23.1%	0.3%	28.2%	75.1%
High/low share price in CHF <sup>1)</sup>	73.40/63.60	67.80/52.10	58.20/40.78	70.25/46.48	48.16/26.74
High/low share price in EUR <sup>1)</sup>	63.00/54.05	59.10/48.42	53.98/36.74	66.02/39.39	39.98/21.82
Premium/(discount) (annual average)	8.4%	(2.5%)	(5.1%)	(17.6%)	(22.1%)
Cash distribution / dividend in CHF <sup>1)</sup>	N.A.	3.30	2.75	2.90	2.32
Degree of investment (quarterly figures)	109.2%	103.1%	109.9%	101.0%	104.6%
Total Expense Ratio (TER) p.a.	1.33%	1.24%	1.28%	1.13%	1.14%

<sup>1)</sup> 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, 09/30/2018

## Top 10 positions as at September 30, 2018

Ionis Pharmaceuticals	11.4%
Neurocrine Biosciences	9.9%
Celgene	6.8%
Vertex Pharmaceuticals	6.7%
Incyte	6.7%
Alexion Pharmaceuticals	4.7%
Agiros Pharmaceuticals	4.3%
Sage Therapeutics	3.9%
Gilead	3.8%
Halozyne Therapeutics	3.8%

## Breakdown by sector as at September 30, 2018

Oncology	29.4%
Orphan diseases	27.4%
Neurological diseases	19.1%
Metabolic diseases	8.9%
Cardiovascular diseases	6.7%
Infectious diseases	4.6%
Others	3.8%

## Performance (adjusted for distributions, in local currency)

As of 09/30/2018	YTD	3 years	5 years	11/15/93
Switzerland	+16.8%	+62.6%	+257.9%	+2489%
Germany	+18.4%	+53.4%	+284.1%	N.A.
Italy	+19.7%	+55.2%	+286.3%	N.A.

## Breakdown by currency as at September 30, 2018

USD	98.3%
DKK	1.7%

Weight in % of securities

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After a lackluster first half, biotech stocks displayed more vitality in the third quarter. Further action was taken to realign the portfolio. Smaller and mid-sized firms represent a growing percentage of the portfolio, while the weighting of large-cap stocks is declining. Through its active investment style, BB Biotech is increasing its exposure to novel treatment methods. Challenging monoclonal antibodies, RNA-based therapeutic agents, and gene and cell-based therapies offer greater potential.

## *Dear shareholders,*

Third quarter developments extended 2018 equity market trends. The US and China ratcheted up rhetoric and trade tariffs, yet the US markets traded higher – the S&P500 gained 7.7% in USD, reaching new highs. European equity markets again lagged the US as Brexit and Italian political uncertainty filled the economic news. So the DAX Index (-0.5% in EUR) and the Euro Stoxx 600 (1.3% in EUR) went sideways. Meanwhile, SMI gains (5.7% in CHF) were driven by investors rotating into defensive stocks.

Currencies did move around consequent to trade tariffs. Weak in the early third quarter, the US dollar recovered once the US Federal Reserve raised interest rates in September.

Healthcare markets performed well in the third quarter after a disappointing first half year. The MSCI World Health Care Index moved up 11.6% in USD. Biotech equities were similar – with the NBI up 11.2% in USD for the same period. Among other healthcare subsectors, life science tools, medtech and service companies were notably strong.

The innovation elements of the drug sector benefited from US policy statements. Both the FDA and its parent HHS took aim at intermediaries in supply chain. Wall Street was relieved (at least for biotech stocks) and capital flowed into the biotech sector in the third quarter for the first time in at least a year. Renewed investor appetite encouraged IPOs and secondary placements. These trends are helpful, but not particularly informative with respect to BB Biotech's strategy. There were no new major M&A activities involving biotech firms during the third quarter.

The sector continued to see short-term investing strategies to the fore. Positive news events precipitated brisk upward trading, whereas arguably minor setbacks led to even more brisk downward trading. Meantime, BB Biotech remains consistently committed to long-term value and the constant rebalancing of its portfolio. Next-generation investment opportunities are remarkable and so its managers have rebalanced large caps into mid and smaller cap companies and moved positively towards new drug modalities and ap-

proaches. This rebalance is part of the perpetual active management of portfolio assets and it marks a move away from small molecules and recombinant human proteins to sophisticated monoclonal antibodies, RNA-based therapeutics, gene therapies and cell therapies. Some of these provide long-lasting effects which can improve product performance and economic value relative to older modalities.

### **BB Biotech Q3 2018 and 9M 2018 performance**

The third quarter 2018 total share return for BB Biotech was 7.8% in CHF, 9.4% in EUR and 8.8% in USD. The Net Asset Value gained 7.3% in CHF, 8.9% in EUR and 8.3% in USD. Consequently, third quarter net gain was CHF 242 mn, compared to CHF 365 mn for the same period in 2017.

The 9-month performance redressed the first half year 2018 performance. The total share price return (16.8% in CHF, 18.4% in EUR and 15.9% in USD) was higher than the portfolio's Net Asset Value return (4.6% in CHF, 7.5% in EUR and 3.9% in USD). The 9-month net gain of CHF 172 mn compares to a gain of CHF 843 mn for the same period in 2017.

The disconnect between share price and NAV growth reflected a continued share price premium throughout the first nine months of the year. The index inclusion of BB Biotech into the SMIM Index (at around 2.6% weight) and the SPI Index (at around 0.3%) on September 24, 2018 increased demand for BB Biotech shares.

Several of the portfolio companies continued to experience a challenging third quarter. Key holdings such as Radius Health, Alnylam and Tesaro failed to keep pace with the biotech indices. The market was disappointed with Alnylam's Onpatro label – and drug launches at Tesaro and Radius Health failed to excite anyone.

## New cycle of portfolio re-positioning initiated

Since mid cap companies take up more of BB Biotech's top portfolio spots, management remains quite committed to the large caps Gilead and Celgene, and performance relative to the NBI has therefore been affected negatively.

Portfolio restructuring planned in the summer is progressing well. The long-term holdings such as Celgene, Gilead and Novo Nordisk, have been historically superb performers for the portfolio. But these bellwethers may no longer lead growth trends. Portfolio re-adjustment therefore began with careful profit-taking throughout the third quarter. Some shares of Regeneron and Neurocrine were also sold for tactical reasons.

Profits were invested in Scholar Rock, a new holding initiated in this reporting period, and added to existing recent positions taken in Argenx, Exelixis and Nektar Therapeutics. Existing positions in Alnylam, Macrogenics, Voyager Therapeutics, Wave Life Sciences and Radius Health were also increased since their market valuations are substantially below intrinsic value. During the third quarter, the remaining positions in Probiobdrug and Five Prime Therapeutics were sold off.

The top portfolio positions reflect expectations of significant growth for RNA-based medicines which will transform drug markets. Supporting this view, a post-quarter note should highlight Janssen's enormous investment in RNAi technology at Arrowhead Pharmaceuticals. BB Biotech is also interested in neurology companies which address broad patient populations and companies such as Vertex, which is well established now with winning technologies and products for cystic fibrosis.

Scholar Rock is focused on extracellular activation of growth factors, such as the TGFbeta superfamily. Their lead compound, SRK-015, is a monoclonal antibody targeting proMyostatin and latent myostatin – designed to inhibit myostatin activation and thereby promote muscle growth and function. The initial indication is late onset spinal muscular atrophy (Type 2 and 3) in combination with Spinraza and other therapeutics. Scholar Rock is also focused on (1) TGFβ and (2) BMP6. For the former, the company could disclose a target and lead indication in this area sometime in 2019. For the latter (bone morphogenic peptide-6) which regulates iron, a lead indication in anemia could be announced in 2019.

BB Biotech was 109% invested at the end of the third quarter – a stable level in absolute and relative terms compared to H1 2018, but well above the 102.5% at the beginning of the year.

## Milestones for the third quarter

Important clinical trial results were reported by portfolio companies in the third quarter:

- Alexion reported a successful study for Soliris (eculizumab) in patients with Neuromyelitis Optica Spectrum Disorder (NMOSD). Treatment with Soliris led to a 92% reduced risk of NMOSD relapse.
- Esperion announced that bempedoic acid was successful as a fix dose combination with Zetia (Ezetimibe), adding 35% LDL-C lowering in patients on maximally tolerated statin background therapy. The combination proved safe and well tolerated.
- Alnylam announced positive topline results for givosiran for the treatment of patients with acute hepatic porphyria. Results of the interim analysis showed that givosiran led to reduced urinary ALA levels, in acute intermittent porphyria compared to placebo.
- Akcea and Ionis reported positive topline data for AKCEA-Apo(a)-LRx in patients with established cardiovascular disease and elevated lipoproteins(a) reporting Lp(a) reductions. The program is part of a strategic collaboration with Novartis – which has an option on the program.

*«The top portfolio positions reflect expectations of significant growth for RNA-based medicines.»*

In the third quarter, three new products from portfolio companies received approval and one product application was declined.

Agios reported the FDA approval of Tibsovo (ivosidenib) for the treatment of relapsed or refractory acute myeloid leukemia (AML). Tibsovo is the second IDH mutant inhibitor to be approved and potentially addresses (together with IDHIFA) approximately 20% of all AML patients. In addition to these two approved agents, Agios is advancing a range of pipeline compounds in its three major focus areas: cancer metabolism; rare genetic disorders; and metabolic immune-oncology.

Alnylam achieved approval of Onpattro (patisiran), the world's first commercially available RNAi product. Onpattro is indicated for the treatment of hereditary transthyretin-mediated amyloidosis in adults with polyneuropathy.

Neurocrine, together with its marketing partner AbbVie announced the approval of Orilissa (elagolix) for the management of moderate to severe pain associated with endometriosis. Orilissa is the first and only oral gonadotropin-releasing hormone (GnRH) antagonist approved for endometriosis, a large market opportunity.

Akcea and Ionis received a complete response letter from the FDA for their new drug application for Waylivra (volanesorsen). This rejection was unexpected following a positive FDA advisory panel vote in May 2018. The company is expected to update investors in the coming months on their plans to proceed with Waylivra, once the FDA clarifies their needs. Volanesorsen is also under regulatory review in Europe and Canada.

#### **Outlook for the remaining three months of 2018**

BB Biotech expects further pipeline progress including Phase III data reports and new product approvals in US and Europe during the remaining three months of 2018. News flow should come from:

- Ionis and Akcea (Tegsedi), at the time of publication, have received US FDA approval for treating transthyretin amyloidosis
- Sage Therapeutics is expected to gain FDA approval for Zulresso (brexanolone) to treat post-partum depression
- Esperion is expected to report its final Phase III safety data for bempedoic acid to treat patients with high levels of LDL-C
- Neurocrine is expected to report Phase II data for Tourette's, a potential important new indication for Ingrezza

The momentum for BB Biotech's portfolio is expected to remain high for the last quarter of 2018 and well into 2019. Multiple late stage clinical trial results and product approvals are expected. As large pharma market capitalizations increase, M&A activity may pick up.

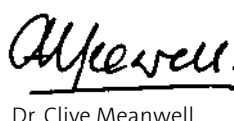
We remain excited by and committed to authentic biotechnology innovation. We foresee fundamental growth in the sector ahead and will continue to rebalance our portfolio to focus on leading companies pursuing effective, safe and cost-effective treatments that can make a big difference to patients and health care systems. That strategy, we believe, promises the most attractive returns to BB Biotech shareholders.

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, 2018

Company	Number of securities	Change since 12/31/2017	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Ionis Pharmaceuticals	8 666 334	530 000	USD	51.58	438.8	11.4%	12.4%	6.3%
Neurocrine Biosciences	3 158 090	(294 663)	USD	122.95	381.2	9.9%	10.8%	3.5%
Celgene	2 984 298	(440 000)	USD	89.49	262.2	6.8%	7.4%	0.4%
Vertex Pharmaceuticals	1 370 445	(105 000)	USD	192.74	259.3	6.7%	7.4%	0.5%
Incyte	3 808 322	110 000	USD	69.08	258.3	6.7%	7.3%	1.8%
Alexion Pharmaceuticals	1 314 428	(40 000)	USD	139.01	179.4	4.7%	5.1%	0.6%
Agios Pharmaceuticals	2 197 931	(522 067)	USD	77.12	166.4	4.3%	4.7%	3.8%
Sage Therapeutics	1 071 373	28 934	USD	141.25	148.6	3.9%	4.2%	2.3%
Gilead	1 954 596	(820 000)	USD	77.21	148.2	3.9%	4.2%	0.2%
Halozyyme Therapeutics	8 247 860	(272 277)	USD	18.17	147.1	3.8%	4.2%	5.7%
Esperion Therapeutics	3 282 964	920 000	USD	44.37	143.0	3.7%	4.1%	12.2%
Alnylam Pharmaceuticals	1 370 538	319 200	USD	87.52	117.8	3.1%	3.3%	1.4%
Radius Health	6 590 276	891 477	USD	17.80	115.2	3.0%	3.3%	14.6%
Tesaro	2 931 802	1 885 609	USD	39.01	112.3	2.9%	3.2%	5.3%
Myovant Sciences	3 567 882	60 000	USD	26.55	93.0	2.4%	2.6%	5.2%
Akcea Therapeutics	2 386 471	1 137 821	USD	35.02	82.0	2.1%	2.3%	2.8%
Regeneron Pharmaceuticals	200 000	(5 000)	USD	404.04	79.3	2.1%	2.2%	0.2%
Moderna Therapeutics <sup>1)</sup>	6 958 250	6 958 250	USD	10.06	68.7	1.8%	1.9%	
Wave Life Sciences	1 385 002	528 906	USD	50.00	68.0	1.8%	1.9%	4.7%
Intercept Pharmaceuticals	545 719	60 000	USD	126.36	67.7	1.8%	1.9%	1.8%
Novo Nordisk	1 420 322	(1 304 453)	DKK	302.40	65.6	1.7%	1.9%	0.1%
Macrogenics	2 990 412	390 000	USD	21.44	62.9	1.6%	1.8%	7.1%
Argenx SE	734 739	734 739	USD	75.84	54.7	1.4%	1.6%	2.0%
Voyager Therapeutics	2 822 641	1 283 121	USD	18.92	52.4	1.4%	1.5%	8.7%
Nektar Therapeutics	845 000	845 000	USD	60.96	50.6	1.3%	1.4%	0.5%
Exelixis	2 785 000	2 785 000	USD	17.72	48.4	1.3%	1.4%	0.9%
Intra-Cellular Therapies	2 200 000	–	USD	21.70	46.9	1.2%	1.3%	4.0%
Alder Biopharmaceuticals	2 266 008	–	USD	16.65	37.0	1.0%	1.1%	3.3%
Myokardia	510 000	510 000	USD	65.20	32.6	0.8%	0.9%	1.3%
G1 Therapeutics	425 318	425 318	USD	52.29	21.8	0.6%	0.6%	1.2%
Novavax	8 330 000	–	USD	1.88	15.4	0.4%	0.4%	2.2%
Cidara Therapeutics	2 295 272	–	USD	4.40	9.9	0.3%	0.3%	8.3%
Scholar Rock Holding	189 957	189 957	USD	25.75	4.8	0.1%	0.1%	0.8%
Achillion Pharmaceuticals	1 279 340	–	USD	3.68	4.6	0.1%	0.1%	0.9%
Radius Health warrants, 02/19/2019	71 409	–	USD	4.51	0.3	0.0%	0.0%	
<b>Total securities</b>					<b>3 844.5</b>	<b>100.0%</b>	<b>109.0%</b>	
Other assets					15.2		0.4%	
Other payables					(332.3)		(9.4%)	
<b>Net asset value</b>					<b>3 527.4</b>		<b>100.0%</b>	
BB Biotech registered shares <sup>2)</sup>	–	–			–			

<sup>1)</sup> Unlisted company

<sup>2)</sup> Correspond to the total of all own shares held including the second trading line

Exchange rates as at 09/30/2018:

USD/CHF: 0.98170; DKK/CHF: 15.28050

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.

## *Investment strategy*

### **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 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 international 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**

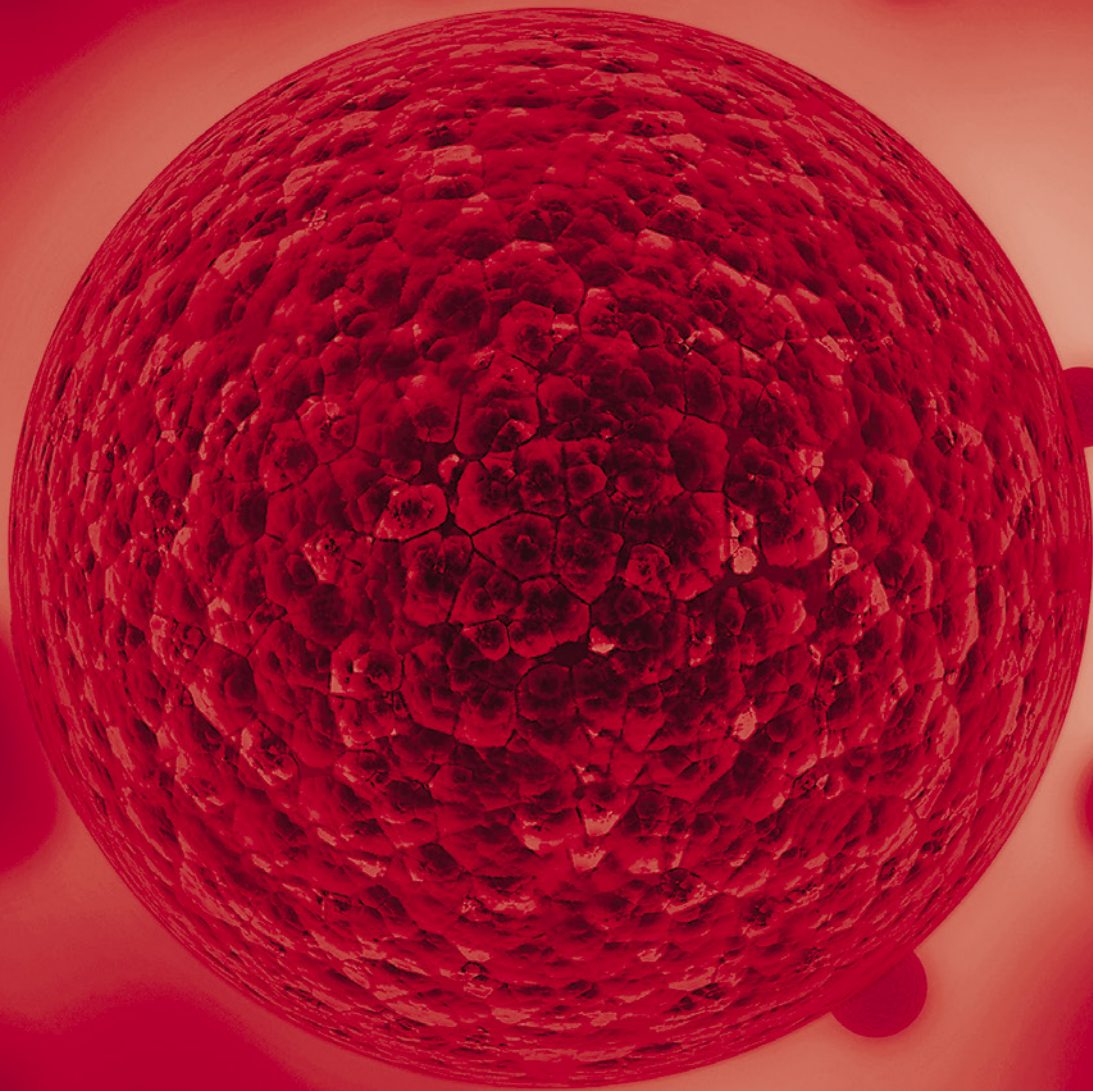
BB Biotech's investment portfolio will usually consist of 20 to 35 biotechnology companies. This will include five to eight large core positions, which together will account for up to two-thirds of the portfolio. Due to their substantial portfolio weighting, the core portfolio companies must have sound 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	09/30/2018	12/31/2017
<b>Current assets</b>			
Cash and cash equivalents		10 172	10 730
Receivables from brokers		4 878	–
Securities at fair value through profit or loss	4	3 844 454	3 627 069
Other assets		180	–
		<b>3 859 684</b>	<b>3 637 799</b>
<b>Total assets</b>		<b>3 859 684</b>	<b>3 637 799</b>
<b>Current liabilities</b>			
Short-term borrowings from banks	5	325 000	95 000
Payables to brokers		3 017	–
Other short-term liabilities		4 180	4 049
Tax liabilities		122	75
		<b>332 319</b>	<b>99 124</b>
<b>Total liabilities</b>		<b>332 319</b>	<b>99 124</b>
<b>Shareholders' equity</b>			
Share capital	6	11 080	11 080
Retained earnings		3 516 285	3 527 595
		<b>3 527 365</b>	<b>3 538 675</b>
<b>Total liabilities and shareholders' equity</b>		<b>3 859 684</b>	<b>3 637 799</b>
Net asset value per share in CHF		63.65	63.90

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 16, 2018.

## Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/–09/30/2018	01/01/–09/30/2017	07/01/–09/30/2018	07/01/–09/30/2017
<b>Operating income</b>					
Net gains from securities	4	204 195	867 904	252 586	372 091
Interest income		1	–	–	–
Dividend income		4 935	5 794	1 285	2 109
Foreign exchange gains net		–	129	–	801
Other income		132	4	–	–
		<b>209 263</b>	<b>873 831</b>	<b>253 871</b>	<b>375 001</b>
<b>Operating expenses</b>					
Finance expenses		(776)	(504)	(337)	(31)
Foreign exchange losses net		(2 114)	–	(339)	–
Administrative expenses	7	(31 654)	(27 183)	(10 699)	(9 608)
Other expenses		(3 158)	(3 083)	(614)	(703)
		<b>(37 702)</b>	<b>(30 770)</b>	<b>(11 989)</b>	<b>(10 342)</b>
<b>Operating income before tax</b>	<b>8</b>	<b>171 561</b>	<b>843 061</b>	<b>241 882</b>	<b>364 659</b>
Income taxes		(51)	(28)	(17)	(10)
<b>Net income for the period</b>		<b>171 510</b>	<b>843 033</b>	<b>241 865</b>	<b>364 649</b>
<b>Total comprehensive income for the period</b>		<b>171 510</b>	<b>843 033</b>	<b>241 865</b>	<b>364 649</b>
Income per share in CHF		3.10	15.24	4.37	6.59
Diluted income per share in CHF		3.10	15.23	4.37	6.59

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
<b>Balances at January 1, 2017</b>	<b>11 080</b>	<b>(859)</b>	<b>2 992 798</b>	<b>3 003 019</b>
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
<b>Balances at September 30, 2017</b>	<b>11 080</b>	<b>(2 345)</b>	<b>3 682 846</b>	<b>3 691 581</b>
<b>Balances at January 1, 2018</b>	<b>11 080</b>	<b>–</b>	<b>3 527 595</b>	<b>3 538 675</b>
Dividend	–	–	(182 820)	(182 820)
Total comprehensive income for the period	–	–	171 510	171 510
<b>Balances at September 30, 2018</b>	<b>11 080</b>	<b>–</b>	<b>3 516 285</b>	<b>3 527 365</b>

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/–09/30/2018	01/01/–09/30/2017
<b>Cash flows from operating activities</b>			
Proceeds from sales of securities	4	625 419	807 471
Purchase of securities	4	(640 468)	(437 146)
Dividend receipts		4 935	5 794
Payments for services		(34 731)	(29 631)
Income taxes paid		(4)	(52)
<b>Total cash flows from operating activities</b>		<b>(44 848)</b>	<b>346 436</b>
<b>Cash flows from financing activities</b>			
Cash distribution / dividend		(182 820)	(152 066)
Proceeds from sales of treasury shares	6	–	16 934
Purchase of treasury shares	6	–	(20 164)
Borrowing / (Repayment) of bank loans	5	230 000	(190 000)
Interest payments		(776)	(504)
<b>Total cash flows from financing activities</b>		<b>46 404</b>	<b>(345 800)</b>
Foreign exchange difference		(2 114)	129
<b>Change in cash and cash equivalents</b>		<b>(558)</b>	<b>765</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>10 730</b>	<b>10 229</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>10 172</b>	<b>10 994</b>

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, 2017. 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 new standards and interpretations, valid since January 1, 2018, have been applied 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
- IFRIC 22 (effective January 1, 2018) – Foreign Currency Transactions and Advance Consideration

The Group assessed the impact of the above mentioned new standards and interpretations. 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. This also applies to IFRS 9 as all securities are valued at fair value through profit or loss. The first-time adoption of IFRS 9 does not result in an adjustment of the previous year's figures.

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

- IFRS 16 (effective January 1, 2019) – Leases
- IFRIC 23 (effective January 1, 2019) – Uncertainty over Income Tax Treatments

The Group assessed the potential impact of the above mentioned new standards and interpretations. Based on the analysis the Group concludes that these new standards and interpretations 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 could use 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	09/30/2018	12/31/2017
USD	0.98170	0.97420
DKK	15.28050	15.71020
EUR	n.a.	1.16995
SEK	n.a.	11.90140

#### Fair values

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

09/30/2018	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Securities at fair value through profit or loss				
– Shares	3 775 419	–	68 719	3 844 138
– Derivative instruments	–	316	–	316
<b>Total assets</b>	<b>3 775 419</b>	<b>316</b>	<b>68 719</b>	<b>3 844 454</b>
<b>12/31/2017</b>				
<b>Assets</b>				
Securities at fair value through profit or loss				
– Shares	3 623 929	–	–	3 623 929
– Derivative instruments	–	3 140	–	3 140
<b>Total assets</b>	<b>3 623 929</b>	<b>3 140</b>	<b>–</b>	<b>3 627 069</b>

The table below summarizes the transactions in level 3 instruments (in CHF 1 000):

	01/01/–09/30/2018	01/01/–09/30/2017
Opening balance	–	–
Purchases	65 408	–
Income included in income from securities	3 311	–
<b>Closing balance</b>	<b>68 719</b>	<b>–</b>
<b>Total income on level 3 instruments included in income from securities</b>	<b>3 311</b>	<b>–</b>

There have been no transfers between level 1, 2 and 3 during the reporting period.

The fair value at initial recognition of the level 3 instrument represents the transaction price, which was paid in a financing round together with other investors. For the valuation as at September 30, 2018 it is deemed to be appropriate to use the transaction price, as it is a reasonable approximation of fair value at the valuation date given the fact that no events occurred which significantly impact the fair value.

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 12/31/2017	Change	Number 09/30/2018	Market price in original currency 09/30/2018	Valuation CHF mn 09/30/2018	Valuation CHF mn 12/31/2017	
Ionis Pharmaceuticals	8 136 334	530 000	8 666 334	USD	51.58	438.8	398.7
Neurocrine Biosciences	3 452 753	(294 663)	3 158 090	USD	122.95	381.2	261.0
Celgene	3 424 298	(440 000)	2 984 298	USD	89.49	262.2	348.1
Vertex Pharmaceuticals	1 475 445	(105 000)	1 370 445	USD	192.74	259.3	215.4
Incyte	3 698 322	110 000	3 808 322	USD	69.08	258.3	341.2
Alexion Pharmaceuticals	1 354 428	(40 000)	1 314 428	USD	139.01	179.4	157.8
Agios Pharmaceuticals	2 719 998	(522 067)	2 197 931	USD	77.12	166.4	151.5
Sage Therapeutics	1 042 439	28 934	1 071 373	USD	141.25	148.6	167.3
Gilead	2 774 596	(820 000)	1 954 596	USD	77.21	148.2	193.6
Halozyme Therapeutics	8 520 137	(272 277)	8 247 860	USD	18.17	147.1	168.2
Esperion Therapeutics	2 362 964	920 000	3 282 964	USD	44.37	143.0	151.6
Alnylam Pharmaceuticals	1 051 338	319 200	1 370 538	USD	87.52	117.8	130.1
Radius Health	5 698 799	891 477	6 590 276	USD	17.80	115.2	176.4
Tesaro	1 046 193	1 885 609	2 931 802	USD	39.01	112.3	84.5
Myovant Sciences	3 507 882	60 000	3 567 882	USD	26.55	93.0	43.2
Akcea Therapeutics	1 248 650	1 137 821	2 386 471	USD	35.02	82.0	21.1
Regeneron Pharmaceuticals	205 000	(5 000)	200 000	USD	404.04	79.3	75.1
Wave Life Sciences	856 096	528 906	1 385 002	USD	50.00	68.0	29.3
Intercept Pharmaceuticals	485 719	60 000	545 719	USD	126.36	67.7	27.6
Novo Nordisk	2 724 775	(1 304 453)	1 420 322	DKK	302.40	65.6	143.2
Macrogenics	2 600 412	390 000	2 990 412	USD	21.44	62.9	48.1
Argenx SE	–	734 739	734 739	USD	75.84	54.7	–
Voyager Therapeutics	1 539 520	1 283 121	2 822 641	USD	18.92	52.4	24.9
Nektar Therapeutics	–	845 000	845 000	USD	60.96	50.6	–
Exelixis	–	2 785 000	2 785 000	USD	17.72	48.4	–
Intra-Cellular Therapies	2 200 000	–	2 200 000	USD	21.70	46.9	31.0
Alder Biopharmaceuticals	2 266 008	–	2 266 008	USD	16.65	37.0	25.3
Myokardia	–	510 000	510 000	USD	65.20	32.6	–
G1 Therapeutics	–	425 318	425 318	USD	52.29	21.8	–
Novavax	8 330 000	–	8 330 000	USD	1.88	15.4	10.1
Cidara Therapeutics	2 295 272	–	2 295 272	USD	4.40	9.9	15.2
Scholar Rock Holding	–	189 957	189 957	USD	25.75	4.8	–
Achillion Pharmaceuticals	1 279 340	–	1 279 340	USD	3.68	4.6	3.6
Juno Therapeutics	1 925 000	(1 925 000)	–	USD	n.a.	–	85.7
AveXis	402 800	(402 800)	–	USD	n.a.	–	43.4
Five Prime Therapeutics	827 500	(827 500)	–	USD	n.a.	–	17.7
Probiodrug	1 050 784	(1 050 784)	–	EUR	n.a.	–	13.0
Prothena	350 000	(350 000)	–	USD	n.a.	–	12.8
Idorsia	323 606	(323 606)	–	CHF	n.a.	–	8.2
<b>Listed shares</b>					<b>3 775.4</b>	<b>3 623.9</b>	
Moderna Therapeutics	–	6 958 250	6 958 250	USD	10.06	68.7	–
<b>Unlisted shares</b>					<b>68.7</b>	<b>–</b>	
<b>Total shares</b>					<b>3 844.1</b>	<b>3 623.9</b>	
Radius Health, warrants, USD 14, 04/23/2018	107 114	(107 114)	–	USD	n.a.	–	1.9
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD	4.51	0.3	1.3
<b>Total derivative instruments</b>					<b>0.3</b>	<b>3.2</b>	
<b>Total securities at fair value through profit or loss</b>					<b>3 844.5</b>	<b>3 627.1</b>	



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	Unlisted shares	Derivative instruments	Total
<b>Opening balance as at 01/01/2017 at fair values</b>	<b>3 201 135</b>	<b>–</b>	<b>4 721</b>	<b>3 205 856</b>
Purchases	594 901	–	–	594 901
Sales	(896 944)	–	–	(896 944)
Net gains/(losses) from securities	724 837	–	(1 581)	723 256
<i>Realized gains</i>	263 537	–	–	263 537
<i>Unrealized gains</i>	749 236	–	–	749 236
<i>Unrealized losses</i>	(287 936)	–	(1 581)	(289 517)
<b>Closing balance as at 12/31/2017 at fair values</b>	<b>3 623 929</b>	<b>–</b>	<b>3 140</b>	<b>3 627 069</b>
<b>Opening balance as at 01/01/2018 at fair values</b>	<b>3 623 929</b>	<b>–</b>	<b>3 140</b>	<b>3 627 069</b>
Purchases	578 077	65 408	–	643 485
Sales	(628 060)	–	(2 234)	(630 294)
Net gains/(losses) from securities	201 473	3 311	(590)	204 194
<i>Realized gains</i>	151 447	–	371	151 818
<i>Realized losses</i>	(33 983)	–	–	(33 983)
<i>Unrealized gains</i>	515 153	3 311	–	518 464
<i>Unrealized losses</i>	(431 144)	–	(961)	(432 105)
<b>Closing balance as at 09/30/2018 at fair values</b>	<b>3 775 419</b>	<b>68 719</b>	<b>316</b>	<b>3 844 454</b>

## 5. Short-term borrowings from banks

At September 30, 2018, a CHF 325 mn short-term loan is outstanding with interest payable at 0.40% p.a. (December 31, 2017: CHF 95 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, 2017: 55.4 mn) with a par value of CHF 0.20 each (December 31, 2017: CHF 0.20).

At the General Shareholders' Meeting held March 17, 2016, a resolution was approved to start a share buy-back program, whereby up to 5 540 000 shares may be repurchased by the Company. Until September 30, 2018, no shares had been repurchased under this share buy-back program.

From January 1, 2018, through September 30, 2018, no treasury shares were purchased or sold (01/01–09/30/2017: Purchase of 316 553 shares at an average price of CHF 57.76/Sale of 292 819 shares at an average price of CHF 57.83). At September 30, 2018, and December 31, 2017 the Group holds no treasury shares.

## 7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–09/30/2018	01/01–09/30/2017
<b>Fund manager</b>		
– Management fees (incl. VAT)	30 884	26 394
<b>Personnel</b>		
– Board of Directors remuneration	683	708
– Wages and salaries	46	41
– Social insurance contributions and duties	41	40
	<b>31 654</b>	<b>27 183</b>

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% p.a. 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. The vesting period ended on March 18, 2017. In the current period, no costs have been recognized for equity compensation plans (01/01–09/30/2017: CHF 25).

## 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	01/01–09/30/2018	01/01–09/30/2017
USA	173 979	748 324
Great Britain	48 565	8 389
Singapore	17 874	–
Sweden	–	10 966
Netherlands	(1 582)	–
Switzerland	(6 041)	64 859
Germany	(7 305)	(3 499)
Ireland	(9 736)	4 395
Denmark	(12 656)	36 422
Curaçao	(31 537)	(26 795)
	<b>171 561</b>	<b>843 061</b>

## 9. Assets pledged

At September 30, 2018, the securities in the amount of CHF 3 446.5 mn (December 31, 2017: CHF 3 097.7 mn) are a collateral for a credit line of CHF 400 mn (December 31, 2017: CHF 400 mn). At September 30, 2018, a CHF 325 mn short-term loan is outstanding (December 31, 2017: CHF 95 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, 2018 and December 31, 2017.

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, 2018, no proceedings existed which could have any material effect on the financial position of the Group (December 31, 2017: 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, 2018 and December 31, 2017.

## 13. Subsequent events

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

Stephanie Zaugg  
Audit expert

Zürich, 17 October 2018

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## Company profile

BB Biotech AG acquires holdings in companies in the biotechnology growth market and is 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, 2018

<b>Foundation:</b>	November 9, 1993; Schaffhausen, Switzerland
<b>Issue price adj. November 15, 1993:</b>	CHF 4.752
<b>Official listing:</b>	December 27, 1993 in Switzerland; December 10, 1997 in Germany; October 19, 2000 in Italy
<b>Share structure:</b>	CHF 11.08 mn nominal, 55 400 000 registered shares with a par value of CHF 0.20 each
<b>Shareholders, free float:</b>	Institutional and private investors, 100.0% free float
<b>Security number Switzerland:</b>	3 838 999
<b>Security number in Germany and Italy:</b>	AoNFN3
<b>ISIN:</b>	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](http://www.bbbiotech.com). The portfolio composition is published at least every three months within quarterly reports.

## Quotes and reports

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

## Corporate calendar 2019

<b>Portfolio as at December 31, 2018</b>	January 18, 2019, 7.00 CET
<b>Annual Report 2018</b>	February 15, 2019, 7.00 AM CET
<b>Annual General Meeting 2019</b>	March 21, 2019, 3.00 PM CET
<b>Interim Report as at March 31, 2019</b>	April 26, 2019, 7.00 AM CET
<b>Interim Report as at June 30, 2019</b>	July 19, 2019, 7.00 AM CET
<b>Interim Report as at September 30, 2019</b>	October 18, 2019, 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.



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