

Interim Report as at September 30, 2019

**Biotech investor**  
*since 1993*

**B|B Biotech**

## Multi-year comparison

	09/30/2019	2018	2017	2016	2015
Market capitalization at the end of the period (in CHF mn)	3 407.1	3 235.4	3 576.1	3 052.5	3 463.2
Net Asset Value at the end of the period (in CHF mn)	2 887.8	2 884.5	3 538.7	3 003.0	3 978.2
Number of shares (in mn) <sup>1)</sup>	55.4	55.4	55.4	55.4	59.3
Trading volume (in CHF mn)	1 348.6	2 610.7	2 864.7	3 204.5	6 265.2
Profit/(loss) (in CHF mn)	172.2	(471.3)	687.5	(802.1)	652.8
Closing price at the end of the period in CHF <sup>1)</sup>	61.50	58.40	64.55	55.10	58.45
Closing price (G) at the end of the period in EUR <sup>1)</sup>	56.60	52.00	55.68	51.70	53.99
Closing price (I) at the end of the period in EUR <sup>1)</sup>	56.50	52.00	55.20	51.60	54.18
Stock performance (incl. distributions) <sup>2)</sup>	10.0%	(5.2%)	22.9%	0.2%	28.1%
High/low share price in CHF <sup>1)</sup>	73.20/60.10	74.10/56.10	67.80/52.10	58.20/40.78	70.25/46.48
High/low share price in EUR <sup>1)</sup>	64.70/52.10	64.80/48.60	59.10/48.42	53.98/36.74	66.02/39.39
Premium/(discount) (annual average)	11.5%	9.7%	(2.5%)	(5.1%)	(17.6%)
Cash distribution/dividend in CHF <sup>1)</sup>	N.A.	3.05	3.30	2.75	2.90
Degree of investment (quarterly figures)	110.9%	108.4%	103.1%	109.9%	101.0%
Total Expense Ratio (TER) p.a. <sup>3)</sup>	1.29%	1.25%	1.27%	1.30%	1.29%

<sup>1)</sup> Five-for-one share split as at March 29, 2016 considered

<sup>2)</sup> All figures in CHF %, total return-methodology

<sup>3)</sup> based on market capitalization

## Indexed performance since launch (in CHF)



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

Source: Bloomberg, 09/30/2019, all figures in %

## Cumulated performance

As of 09/30/2019	YTD	3 years	5 years	11/15/93
Switzerland	10.0%	41.6%	108.9%	2 194%
Germany	13.7%	41.4%	131.2%	N.A.
Italy	13.5%	40.7%	132.0%	N.A.

## Top 10 positions as at September 30, 2019

Ionis Pharmaceuticals	14.8%
Neurocrine Biosciences	9.0%
Incyte	8.2%
Vertex Pharmaceuticals	6.7%
Sage Therapeutics	5.6%
Radius Health	5.4%
Anylam Pharmaceuticals	4.2%
Esperion Therapeutics	4.1%
Alexion Pharmaceuticals	4.0%
Halozyne Therapeutics	3.8%

## Breakdown by sector as at September 30, 2019

Orphan diseases	39.1%
Oncology	24.5%
Neurological diseases	19.1%
Metabolic diseases	7.6%
Cardiovascular diseases	6.2%
Infectious diseases	1.0%
Others	2.5%

## Breakdown by currency as at September 30, 2019

USD	100%
Weight in % of securities	

## Table of content

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Letter to the shareholders	2
----------------------------	---

---

Portfolio	5
-----------	---

---

Investment strategy	6
---------------------	---

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Consolidated interim financial statements	8
---	---

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Selected explanatory notes to the consolidated interim financial statements	12
--	----

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Report of the auditors	17
------------------------	----

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Shareholder information	18
-------------------------	----

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## Dear shareholders,

Third quarter developments extended Q2 2019 equity market trends. United States and China trade tariff rhetoric continued to draw stock market attention, and late September headlines of an impeachment request by the Democratic Party against president Trump distracted markets further. Both contributed to market volatility. The S&P500 rose modestly (+1.7% in USD) in the third quarter, hovering around all-time highs. European equity markets moved sideways, despite continued Brexit uncertainty and possible economic deceleration in Europe. The DAX index (+0.2% in EUR) and the Euro Stoxx 600 (+2.7% in EUR) were little changed over the third quarter. Meanwhile, small gains in the SMI (+1.9% in CHF) were supported by investor rotation into defensive large-cap stocks in a persistent negative interest rate environment.

Healthcare markets declined in the third quarter following growth in the first six months of 2019. The MSCI World Healthcare Index moved down 1.1% in USD. Perhaps as a consequence of US electioneering around drug prices, the Nasdaq Biotech Index underperformed – falling by 8.6% in USD.

Fund outflows for biotechnology equities continued – possibly sustained by the prospects of yet another presidential pre-election year in 2020 – although we've seen this trend since the summer of 2015. Specialist fund and biotech investor fund inflows reflect M&A transactions, which have replenished cash that can be redeployed to the sector's many IPOs and capital increases. Active FTC interventions around recent M&A proposals have lessened investor appetite for biotech – recently technology, life science tools and medical device companies have been notably stronger.

The FDA's stated commitment towards innovation and accelerated timelines remains intact. Only pain medications have been held back – reflecting the opioid crisis in the US and the high government attention. The FDA's rejection of an orphan drug in muscular dystrophy was not a major surprise given the lack of data. The action reset expectations for accelerated approvals of new technologies for rare disorders to more realistic levels.

### BB Biotech Q3 2019 and 9M 2019 performance

The third quarter 2019 share return for BB Biotech was -6.9% in CHF, -4.7% in EUR and -8.9% in USD. Re-positioning in smaller and mid cap companies – the innovative segment of biotech – proved unfavorable in the short term. The Net Asset Value (NAV) moved down 11.6% in CHF, 9.8% in EUR and 13.5% in USD. Consequently, the third quarter net loss was CHF 382 mn, compared to a net gain of CHF 242 mn for the same period in 2018.

BB Biotech remains ahead for the year to date. The 9 month 2019 positive total share price return (10.0% in CHF,

13.7% in EUR and 8.3% in USD) and the Net Asset Value total return (5.0% in CHF, 8.8% in EUR and 3.3% in USD) reflect strong first quarter performance. BB Biotech investors enjoyed a continued share price premium over NAV throughout the first nine months of the year. The 9-month gain of CHF 172 mn is equal to a gain of CHF 172 mn for the same period in 2018.

Several portfolio companies delivered solid second quarter operating results. These included Neurocrine and Alnylam. Others such as Radius and G1 Therapeutics reported favorable pipeline events. Others were less impressive – both Myovant and Akcea showed signs of poor management decisions. Need for capital is holding back some R&D intensive companies such as Agios.

### Portfolio changes in the third quarter 2019

The rebalancing of BB Biotech's portfolio toward next generation smaller and mid caps has been largely completed – with just one new position added in the third quarter. The management team took advantage of market fluctuations to further reduce holdings in Celgene, Gilead and Neurocrine. Some of the released capital was invested in Arvinas, a new portfolio position, and into other smaller and mid cap portfolio companies currently trading substantially below our view of their fair valuation. We increased our position in oncology companies, Agios, Nektar and MacroGenics, as well as our positions in Intra-Cellular and Myovant. We also repurchased some of the shares of Ionis which we had sold at substantially higher levels in the first quarter 2019.

Arvinas is a biopharmaceutical company focused on developing first-in-class protein degradation therapeutics for cancers and other difficult-to-treat diseases. The company's pipeline relies on so-called PROTACs (PROtein TARgeting Chimera) technology which harnesses cells' natural disposal systems for damaged and unneeded proteins – redirecting it to degrade specific target proteins. Arvinas has advanced its first two clinical candidates, ARV-110 for prostate cancer and ARV-471 for breast cancer, into first in-human Phase I trials in 2019.

Adjusting for positions to be sold near term, the end of third quarter investment level of 112% resides de facto close to 105%. Remaining positions in Celgene, Gilead and Alder (following the Lundbeck offer to acquire the company) – are cash-like assets. If reasonable, these holdings can be held to reap higher exit values or to collect the contingency value rights (CVR) in the Celgene and Alder transactions.

### Milestones and events in the third quarter 2019

In the third quarter, Alnylam and Ionis announced positive data from registration-enabling clinical trials performed by their partners. The Medicines Company, development partner for Alnylam's inclisiran, presented Phase III data for

patients with high LDL-cholesterol levels which included reductions by more than 50% and a clean safety profile. The Medicines Company has announced positive data from two other Phase III trials that will be presented mid-November at the American Heart Association meeting. Akcea, Ionis' commercial affiliate, announced positive results for Volanesorsen in patients with familial partial lipodystrophy (FPL) – achieving a mean reduction of 88% in triglyceride levels compared to baseline after three months treatment. Akcea and Ionis are continuing the dialogue with FDA for a potential registration in the US, with the FPL data adding evidence on top of the previously reported FCS trial.

Strong second quarter operating reports also drove valuation gains for Neurocrine and Alnylam. Neurocrine reported Ingrezza second quarter revenues of USD 180 mn, more than 80% year-on-year growth. We believe that Neurocrine is executing its business plan well and there is more growth to come as more patients suitable for Ingrezza are discovered. Alnylam reported steady progress in the global launch of Onpattro for treating adult patients with polyneuropathy resulting from transthyretin-mediated amyloidosis (hATTR amyloidosis). Alnylam also remains focused on the next generation subcutaneous formulation called Vutrisiran with a registration study already started to treat patients with the polyneuropathy form of hATTR.

Regulatory actions in the third quarter were mixed for BB Biotech portfolio companies. Alexion announced that the European Medicines Agency (EMA) Committee for Medicinal Products for Human Use (CHMP) has issued a positive opinion to expand the current marketing authorization of Soliris (Eculizumab) to include the treatment of neuromyelitis optica spectrum disorder (NMOSD) in adult patients who are anti-aquaporin-4 (AQP4) antibody positive with a relapsing course of the disease.

In contrast, both Intra-Cellular and Nektar reported delays for FDA PDUFA dates. Intra-Cellular announced that FDA will not hold an advisory panel for lumateperone for the treatment of schizophrenia and that the PDUFA date has been pushed out by three months to December 27, 2019. Nektar received a General Advice Letter from FDA, postponing product-specific advisory committee meetings for opioid analgesics, while the agency considers various scientific and policy issues. The FDA signaled continued review of the NDA for NKTR-181; however, no specific new PDUFA date has been provided – foreshadowing a potential delay at least.

Nektar and G1 Therapeutics announced breakthrough therapy designations (BTD) for key drugs in development. Nektar, with Bristol-Myers Squibb, announced FDA BTD for Beppegaldesleukin (NKTR-214) with Opdivo (nivolumab) for metastatic melanoma. G1 Therapeutics received BTD for Trilaciclib based on the myelopreservation data in small cell lung cancer patients. Trilaciclib is a highly potent, selec-

tive, reversible, transient cell cycle inhibitor. The company plans to initiate a rolling NDA submission in the fourth quarter 2019.

Previous 2019 M&A activity, dominated by mega-mergers and oncology focused acquisitions, took a surprise turn when Lundbeck announced their intended acquisition of migraine treatment company, Alder Biopharmaceuticals for up to USD 1.95 bn. Lundbeck seeks ownership of Eptinezumab, a monoclonal antibody that prevents migraine by blocking calcitonin gene-related peptide (CGRP). The FDA PDUFA action date for Eptinezumab is February 21, 2020.

The market reacted negatively to the announcement that Myovant Sciences' founding shareholder Roivant is selling its entire stake in Myovant to Sumitomo Dainippon Pharma for undisclosed terms. Investors seek reassurance from deal details assuring that all shareholders' interests are being guarded carefully by Myovant's board of directors as is both customary and required.

Without fanfare, the controlling shareholder Ionis suddenly appointed a new interim CEO of Akcea Therapeutics late in the third quarter. The change in management raised concerns about launches for Tegsedi and Waylivra. Reassurances coming from Ionis did not satisfy investors' who seek concrete evidence of launch progress rather than mere reassurances.

### **Sector outlook and milestones expected for year-end 2019/early 2020**

We expect substantial pipeline progress including registration-enabling study results and new product approvals in US and Europe for the remaining three months of 2019. We anticipate news flow from:

- Sage – expected to report topline results for SAGE-217 in the treatment of major depression disorder
- Halozyme – expected to report data from a pivotal trial for pegylated recombinant human hyaluronidase enzyme in pancreatic cancer patients
- Myovant – expected to report pivotal data from a Relugolix prostate cancer trial
- Myokardia – expected to announce proof of concept results for Mavacamten in non-obstructive hypertrophic cardiomyopathy patients
- Homology – expected to report proof of concept clinical data for its gene therapy PKU program HMI-102
- Crispr Therapeutics – expected to report initial clinical results for CTX-001 in beta thalassemia patients
- Incyte has guided expectations for data release from a pivotal trial of Itacitinib in steroid-naïve graft versus host disease

Regulatory approvals are also expected in the fourth quarter 2019 for:

- Lumateperone – Intra-Cellular's lead molecule, for the treatment of schizophrenia patients, which has an FDA PDUFA date of December 27, 2019

– Ultomiris – Alexion’s second generation anti C5 antibody, which is expected to be granted FDA approval for patients with atypical hemolytic uremic syndrome

We will continue to monitor valuation gaps between biotechnology, broader equity markets and other health-care sectors including technology, medical device and tools companies. During the long history of BB Biotech we have seen fluctuations like these before. In the meantime we continue to regard strong fundamental progress on the scientific, medical and economic front in the biotechnology sector as a foundation for investment on behalf of BB Biotech shareholders.

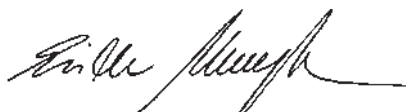
Political and policy wrangling will continue to impact these sectors – particularly drug pricing and reimbursement. US trade relations and the 2020 US presidential election race will both remain front and center. Pricing

legislation, policies and possible executive orders will remain of interest – even though some aspects may be more electioneering rhetoric.

We continue to monitor the short-term gyrations of Wall Street – and we eschew risky strategies which follow momentum more than fundamental approaches to investment in biotechnology. We will remain focused on authentic innovation, value for patients and payers, and real-world valuation methodologies to find and invest for attractive long-term returns.

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



Dr. Thomas von Planta

## Participations as at September 30, 2019

Company	Number of securities	Change since 12/31/2018	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Ionis Pharmaceuticals	7 994 955	(746 379)	USD	59.91	477.9	14.8%	16.5%	5.7%
Neurocrine Biosciences	3 213 074	(130 016)	USD	90.11	288.9	9.0%	10.0%	3.5%
Incyte	3 580 000	(228 322)	USD	74.23	265.2	8.2%	9.2%	1.7%
Vertex Pharmaceuticals	1 280 000	(90 445)	USD	169.42	216.4	6.7%	7.5%	0.5%
Sage Therapeutics	1 280 104	(95 125)	USD	140.29	179.2	5.6%	6.2%	2.5%
Radius Health	6 781 685	71 409	USD	25.75	174.2	5.4%	6.0%	14.7%
Alnylam Pharmaceuticals	1 681 089	109 700	USD	80.42	134.9	4.2%	4.7%	1.5%
Esperion Therapeutics	3 652 964	260 000	USD	36.66	133.6	4.1%	4.6%	13.4%
Alexion Pharmaceuticals	1 314 428	–	USD	97.94	128.5	4.0%	4.4%	0.6%
Halozyme Therapeutics	7 963 056	(359 804)	USD	15.51	123.2	3.8%	4.3%	5.4%
Agios Pharmaceuticals	3 546 954	668 820	USD	32.40	114.7	3.6%	4.0%	6.0%
Argenx SE	954 739	70 000	USD	113.96	108.6	3.4%	3.8%	2.5%
Celgene	1 075 000	(1 228 875)	USD	99.30	106.5	3.3%	3.7%	0.2%
Moderna	4 817 781	32 100	USD	15.92	76.5	2.4%	2.6%	1.5%
Myokardia	1 264 913	387 647	USD	52.15	65.8	2.0%	2.3%	2.7%
Macrogenics	4 094 159	810 887	USD	12.76	52.1	1.6%	1.8%	8.4%
Alder Biopharmaceuticals	2 766 008	–	USD	18.86	52.1	1.6%	1.8%	3.3%
Exelixis	2 835 000	–	USD	17.69	50.0	1.6%	1.7%	0.9%
Intercept Pharmaceuticals	696 976	121 257	USD	66.36	46.1	1.4%	1.6%	2.1%
Voyager Therapeutics	2 680 283	(185 558)	USD	17.21	46.0	1.4%	1.6%	7.3%
Nektar Therapeutics	2 520 676	1 139 701	USD	18.22	45.8	1.4%	1.6%	1.4%
Audentes Therapeutics	1 419 604	650 200	USD	28.09	39.8	1.2%	1.4%	3.1%
Akcea Therapeutics	2 448 948	62 477	USD	15.39	37.6	1.2%	1.3%	2.6%
Crispr Therapeutics	810 462	810 462	USD	40.99	33.1	1.0%	1.1%	1.5%
Sangamo Therapeutics	3 650 000	2 300 000	USD	9.05	33.0	1.0%	1.1%	3.2%
Wave Life Sciences	1 552 858	87 856	USD	20.53	31.8	1.0%	1.1%	4.5%
Homology Medicines	1 612 122	1 612 122	USD	18.10	29.1	0.9%	1.0%	3.7%
Gilead	440 000	(892 204)	USD	63.38	27.8	0.9%	1.0%	<0.1%
Myovant Sciences	4 815 109	1 217 227	USD	5.20	25.0	0.8%	0.9%	5.4%
Scholar Rock Holding	2 197 100	917 122	USD	8.95	19.6	0.6%	0.7%	7.4%
Intra-Cellular Therapies	2 588 990	388 990	USD	7.47	19.3	0.6%	0.7%	4.7%
Arvinas	806 403	806 403	USD	21.55	17.3	0.5%	0.6%	2.4%
G1 Therapeutics	721 925	50 000	USD	22.78	16.4	0.5%	0.6%	1.9%
Cidara Therapeutics	2 295 272	–	USD	2.00	4.6	0.1%	0.2%	8.6%
Kezar Life Sciences	1 230 523	412 091	USD	3.28	4.0	0.1%	0.1%	6.4%
<b>Total securities</b>					<b>3 224.8</b>	<b>100.0%</b>	<b>111.7%</b>	
Other assets					9.6		0.3%	
Other payables					(346.6)		(12.0%)	
<b>Net asset value</b>					<b>2 887.8</b>		<b>100.0%</b>	
BB Biotech registered shares <sup>1)</sup>	–	–			–			

<sup>1)</sup> Correspond to the total of all own shares held including the second trading line

Exchange rates as at 09/30/2019:  
USD/CHF: 0.9978

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 thus have above-average sales and profit-growth potential. Besides profitable large cap companies, BB Biotech is building up its investments in promising small and mid cap companies.

The team of investment experts is concentrating not only on established target areas such as oncology, orphan diseases and neurological indications, but also on the technologies of tomorrow that could lead to novel treatment methods with attractive therapeutic profiles and substantial economic rewards. These future technologies include RNA platforms and cell and gene therapies. A total return of 15% p.a. over a medium- to longer-term investment horizon is targeted.

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

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. The team is guided by its convictions, not by benchmark considerations. 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. Each investment case is constantly monitored and evaluated within the scope of our stringent and disciplined risk management process and corrective action will be taken if and when necessary.

BB Biotech's investment portfolio will usually consist of 20 up to a maximum of 35 biotechnology companies. There are established, large cap companies as well as small and mid cap companies in the portfolio. No single core position will have a weighting of more than 25%, however.

# Investment *Strategy*

exclusively in stocks for liquidity and risk/return reasons. At least 90% of its shareholdings must be in listed companies, while always holding more than 50% of its assets in equity investments. 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.

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.

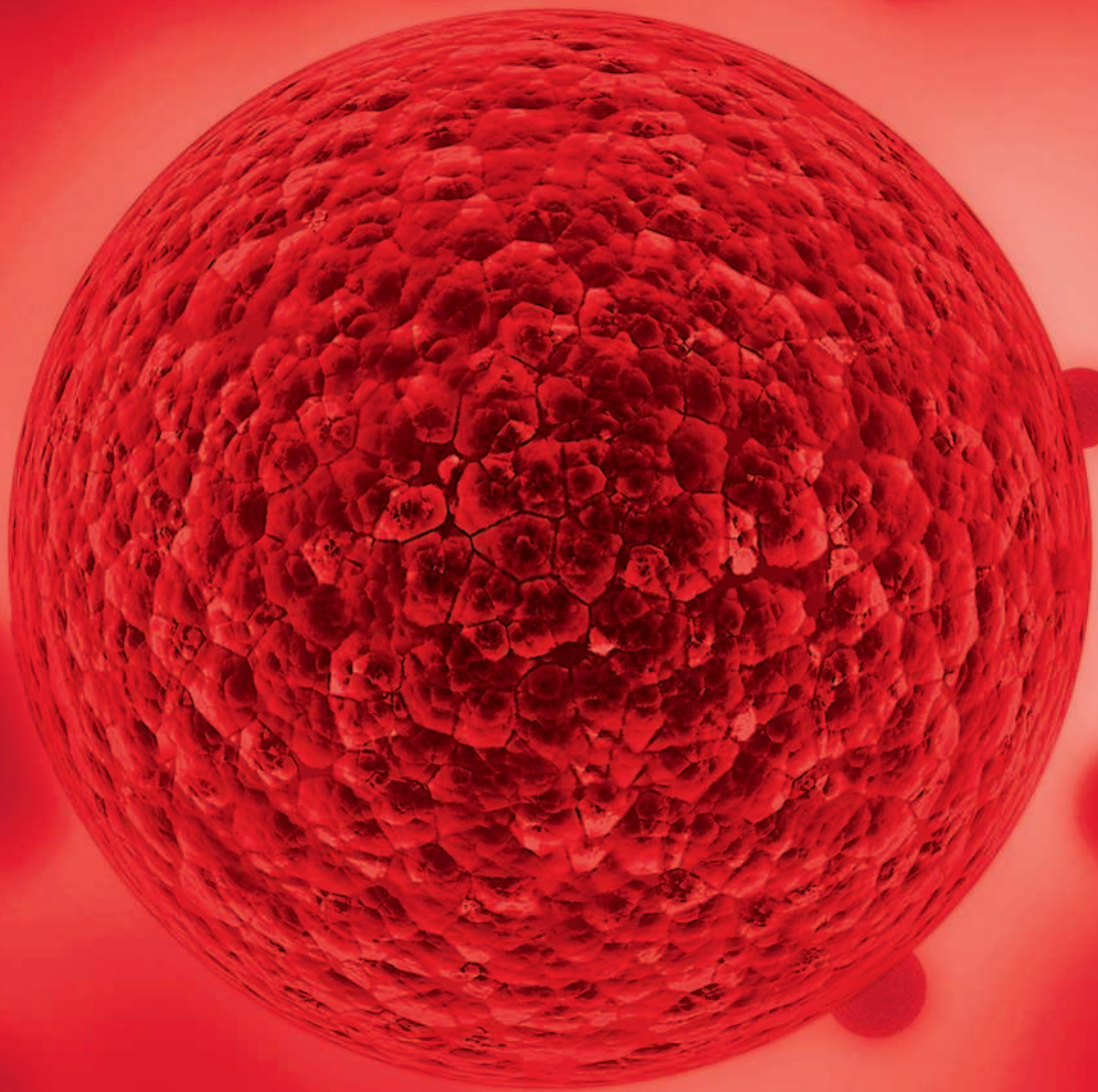
BB Biotech relies on the long-standing experience of its distinguished Board of Directors and on the fundamental

Smaller positions will be taken in innovative biotech companies with promising R&D pipelines. From a regional perspective, the US biotech sector has displayed a high level of innovation and so this regional bias is also reflected in BB Biotech's portfolio. The predominance of the US biotech industry can be traced to the country's stellar research clusters, industry-friendly regulatory frameworks and myriad financing options, among other factors.

New investments in small and mid-cap companies will have a weighting of between 0.5% and 4% to ensure that both upside potential and R&D risks are adequately addressed. Because it is an investment company, BB Biotech has the flexibility to increase portfolio weightings considerably over time as a position increases in value. 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. All positions and their valuations are continually monitored, taking into account their 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	09/30/2019	12/31/2018
<b>Current assets</b>			
Cash and cash equivalents		9 423	22 072
Receivables from brokers		–	334
Securities at fair value through profit or loss	4	3 224 786	3 064 175
Other assets		179	263
		<b>3 234 388</b>	<b>3 086 844</b>
<b>Total assets</b>		<b>3 234 388</b>	<b>3 086 844</b>
<b>Current liabilities</b>			
Short-term borrowings from banks	5	340 000	185 000
Payables to brokers		1 711	13 139
Other short-term liabilities		4 775	4 056
Tax liabilities		150	137
		<b>346 636</b>	<b>202 332</b>
<b>Total liabilities</b>		<b>346 636</b>	<b>202 332</b>
<b>Shareholders' equity</b>			
Share capital	6	11 080	11 080
Retained earnings		2 876 672	2 873 432
		<b>2 887 752</b>	<b>2 884 512</b>
<b>Total liabilities and shareholders' equity</b>		<b>3 234 388</b>	<b>3 086 844</b>
Net asset value per share in CHF		52.15	52.05

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 15, 2019.

## Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/–09/30/2019	01/01/–09/30/2018	07/01/–09/30/2019	07/01/–09/30/2018
<b>Operating income</b>					
Net gains from securities	4	207 951	204 195	–	252 586
Interest income		17	1	–	–
Dividend income		1 156	4 935	205	1 285
Foreign exchange gains net		–	–	138	–
Other income		209	132	188	–
		<b>209 333</b>	<b>209 263</b>	<b>531</b>	<b>253 871</b>
<b>Operating expenses</b>					
Net losses from securities	4	–	–	(370 396)	–
Finance expenses		(963)	(776)	(351)	(337)
Foreign exchange losses net		(274)	(2 114)	–	(339)
Administrative expenses	7	(31 689)	(31 654)	(10 170)	(10 699)
Other expenses		(4 146)	(3 158)	(1 363)	(614)
		<b>(37 072)</b>	<b>(37 702)</b>	<b>(382 280)</b>	<b>(11 989)</b>
<b>Operating income before tax</b>	<b>8</b>	<b>172 261</b>	<b>171 561</b>	<b>(381 749)</b>	<b>241 882</b>
Income taxes		(51)	(51)	(17)	(17)
<b>Net income for the period</b>		<b>172 210</b>	<b>171 510</b>	<b>(381 766)</b>	<b>241 865</b>
<b>Total comprehensive income for the period</b>		<b>172 210</b>	<b>171 510</b>	<b>(381 766)</b>	<b>241 865</b>
Income per share in CHF		3.11	3.10	(6.89)	4.37
Diluted income per share in CHF		3.11	3.10	(6.89)	4.37

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, 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>
<b>Balances at January 1, 2019</b>	<b>11 080</b>	<b>–</b>	<b>2 873 432</b>	<b>2 884 512</b>
Dividend	–	–	(168 970)	(168 970)
Total comprehensive income for the period	–	–	172 210	172 210
<b>Balances at September 30, 2019</b>	<b>11 080</b>	<b>–</b>	<b>2 876 672</b>	<b>2 887 752</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/–09/30/2019	01/01/–09/30/2018
<b>Cash flows from operating activities</b>			
Proceeds from sales of securities	4	393 679	625 419
Purchase of securities	4	(357 432)	(640 468)
Dividend receipts		1 156	4 935
Interest receipts		17	1
Payments for services		(34 823)	(34 731)
Income taxes paid		(39)	(4)
<b>Total cash flows from operating activities</b>		<b>2 558</b>	<b>(44 848)</b>
<b>Cash flows from financing activities</b>			
Dividend		(168 970)	(182 820)
Borrowing of bank loans	5	155 000	230 000
Interest payments		(963)	(776)
<b>Total cash flows from financing activities</b>		<b>(14 933)</b>	<b>46 404</b>
Foreign exchange difference		(274)	(2 114)
<b>Change in cash and cash equivalents</b>		<b>(12 649)</b>	<b>(558)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>22 072</b>	<b>10 730</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>9 423</b>	<b>10 172</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, 2018. 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, 2019, have been applied in these condensed consolidated interim financial statements:

- IFRS 9 (amended, effective January 1, 2019) – Financial instruments
- IFRS 16 (effective January 1, 2019) – Leases
- IAS 28 (amended, effective January 1, 2019) – Investments in associates and joint ventures
- IFRIC 23 (effective January 1, 2019) – Uncertainty over Income Tax Treatments

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 did not result in an adjustment of the previous year's figures.

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

- IFRS 3 (amended, effective January 1, 2020) – Definition of a Business

The Group assessed the potential impact of the above mentioned amended standard. Based on the analysis the Group concludes that this amended standard has no material impact on the Group's accounting policies and overall results and financial position.

### Leasing contracts

The Group has two rental contracts for office space that are classified as lease contracts under IFRS 16. The term of BB Biotech AG's rental contract for office space expires on March 31, 2020 (annual rent TCHF 58). The rental contract for the office space in Curaçao can be terminated at any time with a 3-month notice period (annual rent TUSD 47). In view of the immateriality, the right-of-use asset and the lease liability have not been reported in the condensed consolidated interim financial statements.

### Pension liability

BB Biotech AG maintains for its employee a defined benefit plan. There is no pension plan for employees of Group companies. Due to the immateriality of any potential pension liability or potential pension asset, no disclosures according to IAS 19 are made within the condensed consolidated interim financial statements.

### 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	09/30/2019	12/31/2018
USD	0.99780	0.98160
ANG	0.56056	0.55146
EUR	1.08765	1.12751
GBP	1.22680	1.25330

#### Fair values

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

09/30/2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Securities at fair value through profit or loss				
– Shares	3 224 786	–	–	3 224 786
<b>Total assets</b>	<b>3 224 786</b>	<b>–</b>	<b>–</b>	<b>3 224 786</b>
<b>12/31/2018</b>				
<b>Assets</b>				
Securities at fair value through profit or loss				
– Shares	3 063 972	–	–	3 063 972
– Derivative instruments	–	203	–	203
<b>Total assets</b>	<b>3 063 972</b>	<b>203</b>	<b>–</b>	<b>3 064 175</b>

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

	01/01/–09/30/2019	01/01/–09/30/2018
Opening balance	–	–
Purchases	–	65 408
Income included in income from securities	–	3 311
<b>Closing balance</b>	<b>–</b>	<b>68 719</b>
<b>Total income on level 3 instruments included in income from securities</b>	<b>–</b>	<b>3 311</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. Due to the IPO of Moderna Inc. as of December 6, 2018, a reclassification of the Moderna shares from level 3 to level 1 (CHF 69 356) took place.

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 12/31/2018	Change	Number 09/30/2019	Market price in original currency 09/30/2019	Valuation CHF mn 09/30/2019	Valuation CHF mn 12/31/2018	
Ionis Pharmaceuticals	8 741 334	(746 379)	7 994 955	USD	59.91	477.9	463.9
Neurocrine Biosciences	3 343 090	(130 016)	3 213 074	USD	90.11	288.9	234.3
Incyte	3 808 322	(228 322)	3 580 000	USD	74.23	265.2	237.7
Vertex Pharmaceuticals	1 370 445	(90 445)	1 280 000	USD	169.42	216.4	222.9
Sage Therapeutics	1 375 229	(95 125)	1 280 104	USD	140.29	179.2	129.3
Radius Health	6 710 276	71 409	6 781 685	USD	25.75	174.2	108.6
Alnylam Pharmaceuticals	1 571 389	109 700	1 681 089	USD	80.42	134.9	112.5
Esperion Therapeutics	3 392 964	260 000	3 652 964	USD	36.66	133.6	153.2
Alexion Pharmaceuticals	1 314 428	–	1 314 428	USD	97.94	128.5	125.6
Halozyme Therapeutics	8 322 860	(359 804)	7 963 056	USD	15.51	123.2	119.5
Agios Pharmaceuticals	2 878 134	668 820	3 546 954	USD	32.40	114.7	130.3
Argenx SE	884 739	70 000	954 739	USD	113.96	108.6	83.4
Celgene	2 303 875	(1 228 875)	1 075 000	USD	99.30	106.5	144.9
Moderna	4 785 681	32 100	4 817 781	USD	15.92	76.5	71.7
Myokardia	877 266	387 647	1 264 913	USD	52.15	65.8	42.1
Macrogenics	3 283 272	810 887	4 094 159	USD	12.76	52.1	40.9
Alder Biopharmaceuticals	2 766 008	–	2 766 008	USD	18.86	52.1	27.8
Exelixis	2 835 000	–	2 835 000	USD	17.69	50.0	54.7
Intercept Pharmaceuticals	575 719	121 257	696 976	USD	66.36	46.1	57.0
Voyager Therapeutics	2 865 841	(185 558)	2 680 283	USD	17.21	46.0	26.4
Nektar Therapeutics	1 380 975	1 139 701	2 520 676	USD	18.22	45.8	44.6
Audentes Therapeutics	769 404	650 200	1 419 604	USD	28.09	39.8	16.1
Akcea Therapeutics	2 386 471	62 477	2 448 948	USD	15.39	37.6	70.6
Crispr Therapeutics	–	810 462	810 462	USD	40.99	33.1	–
Sangamo Therapeutics	1 350 000	2 300 000	3 650 000	USD	9.05	33.0	15.2
Wave Life Sciences	1 465 002	87 856	1 552 858	USD	20.53	31.8	60.5
Homology Medicines	–	1 612 122	1 612 122	USD	18.10	29.1	–
Gilead	1 332 204	(892 204)	440 000	USD	63.38	27.8	81.8
Myovant Sciences	3 597 882	1 217 227	4 815 109	USD	5.20	25.0	58.0
Scholar Rock Holding	1 279 978	917 122	2 197 100	USD	8.95	19.6	28.9
Intra-Cellular Therapies	2 200 000	388 990	2 588 990	USD	7.47	19.3	24.6
Arvinas	–	806 403	806 403	USD	21.55	17.3	–
G1 Therapeutics	671 925	50 000	721 925	USD	22.78	16.4	12.6
Cidara Therapeutics	2 295 272	–	2 295 272	USD	2.00	4.6	5.3
Kezar Life Sciences	818 432	412 091	1 230 523	USD	3.28	4.0	19.0
Regeneron Pharmaceuticals	68 156	(68 156)	–	USD	n.a.	–	25.0
Novavax <sup>1)</sup>	8 330 000	(416 500)	–	USD	n.a.	–	15.0
<b>Listed shares</b>						<b>3 224.8</b>	<b>3 063.9</b>
<b>Total shares</b>						<b>3 224.8</b>	<b>3 063.9</b>
Radius Health, warrants, USD 14, 02/19/2019	71 409	(71 409)	–	USD	n.a.	–	0.2
<b>Total derivative instruments</b>						<b>–</b>	<b>0.2</b>
<b>Total securities at fair value through profit or loss</b>						<b>3 224.8</b>	<b>3 064.2</b>

<sup>1)</sup> Share split 1:20 as at May 10, 2019



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 01/01/2018 at fair values</b>	<b>3 623 929</b>	<b>–</b>	<b>3 140</b>	<b>3 627 069</b>
Purchases	877 899	65 408	–	943 307
Sales	(1 076 876)	–	(2 235)	(1 079 111)
Reclassification <sup>1)</sup>	69 356	(69 356)	–	–
Net gains/(losses) from securities	(430 336)	3 948	(702)	(427 090)
<i>Realized gains</i>	209 613	–	371	209 984
<i>Realized losses</i>	(64 769)	–	–	(64 769)
<i>Unrealized gains</i>	154 039	3 948	–	157 987
<i>Unrealized losses</i>	(729 219)	–	(1 073)	(730 292)
<b>Closing balance as at 12/31/2018 at fair values</b>	<b>3 063 972</b>	<b>–</b>	<b>203</b>	<b>3 064 175</b>
<b>Opening balance as at 01/01/2019 at fair values</b>	<b>3 063 972</b>	<b>–</b>	<b>203</b>	<b>3 064 175</b>
Purchases	346 005	–	–	346 005
Sales	(392 974)	–	(370)	(393 344)
Net gains/(losses) from securities	207 784	–	167	207 951
<i>Realized gains</i>	98 864	–	167	99 031
<i>Realized losses</i>	(12 865)	–	–	(12 865)
<i>Unrealized gains</i>	439 139	–	–	439 139
<i>Unrealized losses</i>	(317 354)	–	–	(317 354)
<b>Closing balance as at 09/30/2019 at fair values</b>	<b>3 224 786</b>	<b>–</b>	<b>–</b>	<b>3 224 786</b>

<sup>1)</sup> IPO of Moderna Inc. as at December 6, 2018

## 5. Short-term borrowings from banks

At September 30, 2019, a CHF 340 mn short-term loan is outstanding with interest payable at 0.40% p.a. (December 31, 2018: CHF 185 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, 2018: 55.4 mn) with a par value of CHF 0.20 each (December 31, 2018: 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 the end of the program, at April 11, 2019, no shares had been repurchased under this share buy-back program.

The Board of Directors has approved the repurchase of a maximum of 5 540 000 own registered shares with a nominal value of CHF 0.20 each. The share buy back program will run from April 12, 2019, until April 11, 2022, at the latest. Until September 30, 2019, no shares had been repurchased under this share buy-back program. The repurchase will take place via second trading line for the purpose of a subsequent capital reduction.

At September 30, 2019, and December 31, 2018, the Group holds no treasury shares.

## 7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–09/30/2019	01/01–09/30/2018
<b>Asset manager</b>		
– Management fees (incl. VAT)	30 555	30 884
<b>Personnel</b>		
– Board of Directors remuneration	808	683
– Wages and salaries	225	46
– Social insurance contributions and duties	101	41
	<b>31 689</b>	<b>31 654</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).

The General Shareholders' Meeting held March 21, 2019, approved the adjustment of the fixed compensation for the Board of Directors for the term from the 2019 Annual General Meeting to the 2020 Annual General Meeting in the amount of CHF 1 160 (excluding social insurance contributions and duties).

## 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/–09/30/2019	01/01/–09/30/2018
USA	259 852	173 979
Netherlands	16 740	(1 582)
Switzerland	2 279	(6 041)
Germany	–	(7 305)
Ireland	–	(9 736)
Denmark	–	(12 656)
Singapore	(31 148)	17 874
Curaçao	(32 767)	(31 537)
Great Britain	(42 695)	48 565
	<b>172 261</b>	<b>171 561</b>

## 9. Assets pledged

At September 30, 2019, the securities in the amount of CHF 2 942.2 mn (December 31, 2018: CHF 2 782.9 mn) are a collateral for a credit line of CHF 700 mn (December 31, 2018: CHF 700 mn). At September 30, 2019, a CHF 340 mn short-term loan is outstanding (December 31, 2018: CHF 185 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, 2019 and December 31, 2018.

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, 2019, no proceedings existed which could have any material effect on the financial position of the Group (December 31, 2018: 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, 2019 and December 31, 2018.

## 13. Subsequent events

There have been no events subsequent to September 30, 2019, 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 2019. 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, 16 October 2019

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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, 2019

<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 2019/2020

<b>Portfolio as at December 31, 2019</b>	January 17, 2020, 7.00 AM CET
<b>Annual Report 2019</b>	February 21, 2020, 7.00 AM CET
<b>Annual General Meeting 2020</b>	March 19, 2020, 3.00 PM CET
<b>Interim Report as at March 31, 2020</b>	April 24, 2020, 7.00 AM CET
<b>Interim Report as at June 30, 2020</b>	July 24, 2020, 7.00 AM CET
<b>Interim Report as at September 30, 2020</b>	October 23, 2020, 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.



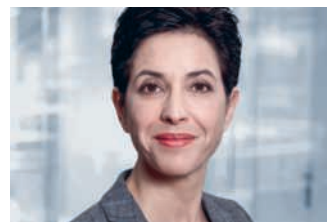
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