

Interim Report as at March 31, 2019

Biotech investor
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B|B Biotech

Multi-year comparison

	03/31/2019	2018	2017	2016	2015
Market capitalization at the end of the period (in CHF mn)	3 844.8	3 235.4	3 576.1	3 052.5	3 463.2
Net Asset Value at the end of the period (in CHF mn)	3 605.3	2 884.5	3 538.7	3 003.0	3 978.2
Number of shares (in mn) ¹⁾	55.4	55.4	55.4	55.4	59.3
Trading volume (in CHF mn)	538.8	2 610.7	2 864.7	3 204.5	6 265.2
Profit/(loss) (in CHF mn)	889.8	(471.3)	687.5	(802.1)	652.8
Closing price at the end of the period in CHF ¹⁾	69.40	58.40	64.55	55.10	58.45
Closing price (G) at the end of the period in EUR ¹⁾	62.40	52.00	55.68	51.70	53.99
Closing price (I) at the end of the period in EUR ¹⁾	61.50	52.00	55.20	51.60	54.18
Stock performance (incl. distributions) ²⁾	24.2%	(5.2%)	22.9%	0.2%	28.1%
High/low share price in CHF ¹⁾	73.20/60.65	74.10/56.10	67.80/52.10	58.20/40.78	70.25/46.48
High/low share price in EUR ¹⁾	64.70/52.10	64.80/48.60	59.10/48.42	53.98/36.74	66.02/39.39
Premium/(discount) (annual average)	9.8%	9.7%	(2.5%)	(5.1%)	(17.6%)
Cash distribution/dividend in CHF ¹⁾	N.A.	3.05	3.30	2.75	2.90
Degree of investment (quarterly figures)	109.8%	108.4%	103.1%	109.9%	101.0%
Total Expense Ratio (TER) p.a. ³⁾	1.25%	1.25%	1.27%	1.30%	1.29%

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

²⁾ All figures in CHF %, total return-methodology

³⁾ based on market capitalization

Indexed performance since launch (in CHF)



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

Source: Bloomberg, 03/31/2019, all figures in %

Cumulated performance

As of 03/31/2019	YTD	3 years	5 years	11/15/93
Switzerland	+24.2%	+73.9%	+182.7%	+2 488%
Germany	+25.4%	+69.4%	+207.6%	N.A.
Italy	+23.6%	+68.7%	+205.3%	N.A.

Top 10 positions as at March 31, 2019

Ionis Pharmaceuticals	15.8%
Incyte	7.8%
Neurocrine Biosciences	7.5%
Vertex Pharmaceuticals	6.0%
Sage Therapeutics	5.5%
Celgene	5.2%
Agios Pharmaceuticals	5.0%
Alexion Pharmaceuticals	4.5%
Alnylam Pharmaceuticals	3.8%
Esperion Therapeutics	3.6%

Breakdown by sector as at March 31, 2019

Orphan diseases	38.1%
Oncology	26.7%
Neurological diseases	17.4%
Metabolic diseases	7.5%
Cardiovascular diseases	5.2%
Infectious diseases	2.1%
Others	3.0%

Breakdown by currency as at March 31, 2019

USD	100%
Weight in % of securities	

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Dear shareholders,

Equity markets got off to a strong start in 2019. In January, most indices recovered from their fourth-quarter losses. US and European equity indices closed the first quarter with positive double-digit total returns. The S&P (+13.7% in USD), the Dow Jones (+11.8%) and the Nasdaq Composite Index (+16.8%) each performed strongly. European markets as measured by the EuroStoxx 50 (+12.3% in EUR), the DAX (+9.2% in EUR) and the SMI (+13.8% in CHF) also ended the first quarter in positive territory.

Healthcare markets were also up but not as much as broader markets. The MSCI World Healthcare Index rose by 8.3%. Pharmaceuticals and biotechnology outperformed broader healthcare indices with the Nasdaq Biotech Index up 15.5% (all values in USD). The strength and breadth of the biotechnology sector proved itself even in the wake of a high profile Alzheimer's disease drug candidate failure for Biogen in late clinical development.

BB Biotech's performance for the first quarter

BB Biotech's shares gained 24.2% in CHF and 25.4% in EUR in the first quarter 2019. The portfolio gained 31.1% in CHF, 32.3% in EUR and 29.4% in USD. Net profit was

acquire up to 10% of the company's outstanding shares over a period of up to three years. BB Biotech did not trade on the second trading line in the first quarter of 2019, meaning it has not been used since April 2016. The board has approved a twelfth share repurchase program starting in April 2019 for up to 10% of the company's outstanding shares over a period of up to three years.

Increased investment level in the first three months of 2019

Management increased short-term credits – raising investment levels from 106.2% to 109.8% during the quarter. In total, the dividend payout of CHF 169 mn plus investments in new and existing portfolio holdings exceeded cash received from exiting our positions in Regeneron and profit taking in existing, successful longer-term holdings.

First-quarter portfolio activity

As outlined in the third-quarter 2018 update, the management team continued in the first quarter 2019 to reduce the allocation in larger capitalized companies and to increase the weightings of both existing smaller and mid-cap companies and novel genetic medicine companies.

5%
Dividend yield

CHF 890 mn compared to a net profit of CHF 28 mn for the same period in 2018. The currency impact added 1.9% to portfolio performance as the US dollar gained modestly against the Swiss Franc. Return calculations for BB Biotech take into account the dividend distribution approved by the shareholders at the AGM on March 21, 2019.

Continued capital distribution

BB Biotech paid out the proposed dividend of CHF 3.05 per share. The Board confirmed continuation of the dividend policy and anticipates payout of the regular dividend of 5% of the prior December's average share price.

The eleventh share repurchase program, started in April 2016 and ending in April 2019, allowed BB Biotech to

Funds raised from the sale of the remaining shares in Regeneron and from continued profit taking in Gilead, Celgene, Incyte, Vertex and Ionis positions have been reinvested into Agios, Nektar, Kezar, Intercept and Esperion. They also financed increased investment in the genetic medicine companies Audentes and Sangamo. BB Biotech supported Myokardia's capital increase – backing development of Mavacamten for patients with obstructive and non-obstructive hypertrophic cardiomyopathy and further pipeline diversification.

Two new genetic medicines investments were added to the portfolio in the first quarter. Crispr Therapeutics is a pioneer in the Cas9 gene-editing field. With its partner Vertex, Crispr has started dosing of with CTX001 in patients with hemoglobinopathies such as beta-thalas-

semia and sickle cell disease. Crispr is also in early development stages with next-generation cell therapies such as allogenic CD19, BCMA, and CD70 targeting cell therapies, mostly for cancer indications.

Homology Medicines is developing both gene therapy and gene editing candidates. In gene therapy, Homology's lead asset is HMI-102 for adults with phenylketonuria (PKU). In gene editing, Homology is developing HMI-103 for children with PKU. Driven by mutations in the PAH gene, PKU patients lack function of the enzyme phenylalanine hydroxylase, which is responsible for breaking down phenylalanine, an amino acid obtained exclusively from the diet. In the gene therapy approach, Homology delivers functional copies of the PAH gene to adults via proprietary adeno-associated viruses. In gene editing, the company works with «homology arms» – sequences that allow specific alignment to the desired target zone on the dysfunctional gene. The naturally occurring process of homologous recombination then corrects the dysfunctional gene by replacement with a functional copy.

While progress is accelerating, these gene therapy and editing companies are in early development stages. BB Biotech is entering the arena decisively but with circumspect – investing about 4% of its portfolio in this important new technology sub-sector as of March 31, 2019.

Medicines based on oligonucleotides are moving ahead rapidly and creating an entire new space in healthcare. Antisense and RNA-interference-based products have already delivered substantial returns for shareholders of BB Biotech and management believes there is more to come. Ionis, driven by an impressive product launch for Spinraza and the progress in the company's pipeline and platform technology, has now grown to become BB Biotech's largest holding. The portfolio managers continue to increase exposure to RNA-focused companies, which now represent about 25% of portfolio holdings.

Solid progress of portfolio holdings

The year started with a major transaction for one of BB Biotech's major positions – as Bristol-Myers Squibb (BMS) announced its intention to buy Celgene for USD 74 bn. The deal terms per Celgene share are USD 50 plus one share of BMS plus a contingency value right (CVR) of up to USD 9 subject to the approval of three key Celgene development candidates. The deal should close in the third quarter of 2019 and deliver a significant cash inflow for BB Biotech.

Several of the portfolio companies reported major milestones during the first quarter of 2019. Three confirmatory Phase III (so-called «pivotal») trial readouts occurred:

Sage Therapeutics announced that SAGE-217 met the primary and secondary endpoints in a Phase III clinical trial in postpartum depression. Two weeks of outpatient treatment with SAGE-217 achieved a significant improvement in the Hamilton Rating Scale for depression. Around half of the SAGE-217-treated women achieved remission.

Vertex reported that its triple combination of VX-445, with the tezacaftor/ivacaftor combination (Symdeko) met the primary endpoint of improvement in lung function (ppFEV1) for patients with cystic fibrosis. Homozygous F508del patients experienced significant improvement of their lung function – with a mean absolute ppFEV1 improvement of 10 percentage points compared to Symdeko. Patients with one F508del mutation and one minimal function mutation also experienced improvement of their lung function – reporting a mean absolute ppFEV1 improvement of 13.8 percentage points. Vertex is expected to file a US NDA and an EU MAA in the second half of 2019.

«We increased the weightings of small and mid caps and novel genetic medicine companies.»

MacroGenics also announced positive results from the SOPHIA study of margetuximab in breast cancer – reporting prolongation of progression-free survival (PFS) in patients treated with the combination of margetuximab plus chemotherapy compared to trastuzumab (Herceptin) plus chemotherapy. The company expects to submit a biologics license application to the US FDA in the second half of 2019. MacroGenics is also developing margetuximab in combination with anti-PD-1 therapies for gastroesophageal cancer.

Sage also gained FDA approval for Zulresso (brexanolone) injection. This is the first and only treatment indicated specifically for postpartum depression. Sage expects to launch Zulresso by mid-2019.

Several of the portfolio companies took advantage of rising market valuations to bolster their cash reserves. MacroGenics, Myokardia and Sangamo issued shares in secondary public offerings, while companies such as Esperion (with Daiichi Sankyo) and Voyager (with Neurocrine and Abbvie) increased cash through out-licensing deals.

Outlook for 2019

BB Biotech expects its portfolio companies to achieve further major milestones in 2019 and that this will sustain the positive momentum of the first quarter. Overall, large cap biotechnology companies trade well below fundamental value at present, so pipeline successes and takeovers may well drive valuations higher. In addition, there are increasing positive signs in the M&A area.

The US healthcare system – largely influenced by Alex Azar (HHS) and Scott Gottlieb (FDA) – will continue to track towards greater price transparency even as the discord between payers, PBMs, providers, and the drug industry continue. BB Biotech expects incoming FDA com-

missioner Ned Sharpless – from the National Cancer Institute – to extend Gottlieb’s initiatives while also focusing on decreasing timeline, capital and access hurdles for innovative new medicines.

BB Biotech’s longstanding and successful commitment to invest in leading technologies that address unmet medical needs, with sustainable economic value, continues to underpin its strong and optimistic outlook. The management team will continue to reshape the portfolio based on the strategy announced in the second half of 2018 – selling remaining large cap holdings and adding promising, smaller and mid cap positions while actively managing the portfolio to optimize returns for 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



Dr. Thomas von Planta

Participations as at March 31, 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	7 725 000	(1 016 334)	USD	81.17	624.0	15.8%	17.3%	5.6%
Incyte	3 620 000	(188 322)	USD	86.01	309.9	7.8%	8.6%	1.7%
Neurocrine Biosciences	3 366 786	23 696	USD	88.10	295.2	7.5%	8.2%	3.7%
Vertex Pharmaceuticals	1 300 000	(70 445)	USD	183.95	238.0	6.0%	6.6%	0.5%
Sage Therapeutics	1 375 229	–	USD	159.05	217.7	5.5%	6.0%	2.7%
Celgene	2 200 000	(103 875)	USD	94.34	206.6	5.2%	5.7%	0.3%
Agios Pharmaceuticals	2 978 134	100 000	USD	67.44	199.9	5.0%	5.5%	5.1%
Alexion Pharmaceuticals	1 314 428	–	USD	135.18	176.8	4.5%	4.9%	0.6%
Alnylam Pharmaceuticals	1 631 089	59 700	USD	93.45	151.7	3.8%	4.2%	1.5%
Esperion Therapeutics	3 522 964	130 000	USD	40.15	140.8	3.6%	3.9%	13.1%
Radius Health	6 781 685	71 409	USD	19.94	134.6	3.4%	3.7%	14.8%
Halozyme Therapeutics	8 322 860	–	USD	16.10	133.4	3.4%	3.7%	5.7%
Argenx SE	904 739	20 000	USD	124.84	112.4	2.8%	3.1%	2.4%
Moderna Therapeutics	4 785 681	–	USD	20.35	96.9	2.4%	2.7%	1.5%
Myovant Sciences	3 597 882	–	USD	23.87	85.5	2.2%	2.4%	5.1%
Intercept Pharmaceuticals	696 976	121 257	USD	111.86	77.6	2.0%	2.2%	2.3%
Gilead	1 142 204	(190 000)	USD	65.01	73.9	1.9%	2.0%	0.1%
Nektar Therapeutics	2 020 676	639 701	USD	33.60	67.6	1.7%	1.9%	1.2%
Exelixis	2 835 000	–	USD	23.80	67.1	1.7%	1.9%	0.9%
Akcea Therapeutics	2 377 638	(8 833)	USD	28.33	67.0	1.7%	1.9%	2.7%
Myokardia	1 264 913	387 647	USD	51.99	65.4	1.7%	1.8%	2.8%
Macrogenics	3 400 000	116 728	USD	17.98	60.8	1.5%	1.7%	7.0%
Wave Life Sciences	1 465 002	–	USD	38.85	56.6	1.4%	1.6%	4.3%
Voyager Therapeutics	2 865 841	–	USD	19.14	54.6	1.4%	1.5%	8.8%
Audentes Therapeutics	1 369 604	600 200	USD	39.02	53.2	1.3%	1.5%	3.1%
Alder Biopharmaceuticals	2 766 008	–	USD	13.65	37.6	0.9%	1.0%	3.4%
Crispr Therapeutics	810 462	810 462	USD	35.72	28.8	0.7%	0.8%	1.6%
Scholar Rock Holding	1 476 839	196 861	USD	18.79	27.6	0.7%	0.8%	5.6%
Intra-Cellular Therapies	2 200 000	–	USD	12.18	26.7	0.7%	0.7%	4.0%
Sangamo Therapeutics	2 650 000	1 300 000	USD	9.54	25.2	0.6%	0.7%	2.6%
Kezar Life Sciences	1 220 503	402 071	USD	17.74	21.5	0.5%	0.6%	6.4%
G1 Therapeutics	671 925	–	USD	16.60	11.1	0.3%	0.3%	1.8%
Cidara Therapeutics	2 295 272	–	USD	2.65	6.1	0.2%	0.2%	8.3%
Novavax	8 330 000	–	USD	0.55	4.6	0.1%	0.1%	1.9%
Homology Medicines	91 336	91 336	USD	27.73	2.5	0.1%	0.1%	0.2%
Total securities					3 958.8	100.0%	109.8%	
Other assets					28.7		0.8%	
Other payables					(382.1)		(10.6%)	
Net asset value					3 605.3		100.0%	
BB Biotech registered shares ¹⁾	–	–			–			

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

Exchange rates as at 03/31/2019:
USD/CHF: 0.9952

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.

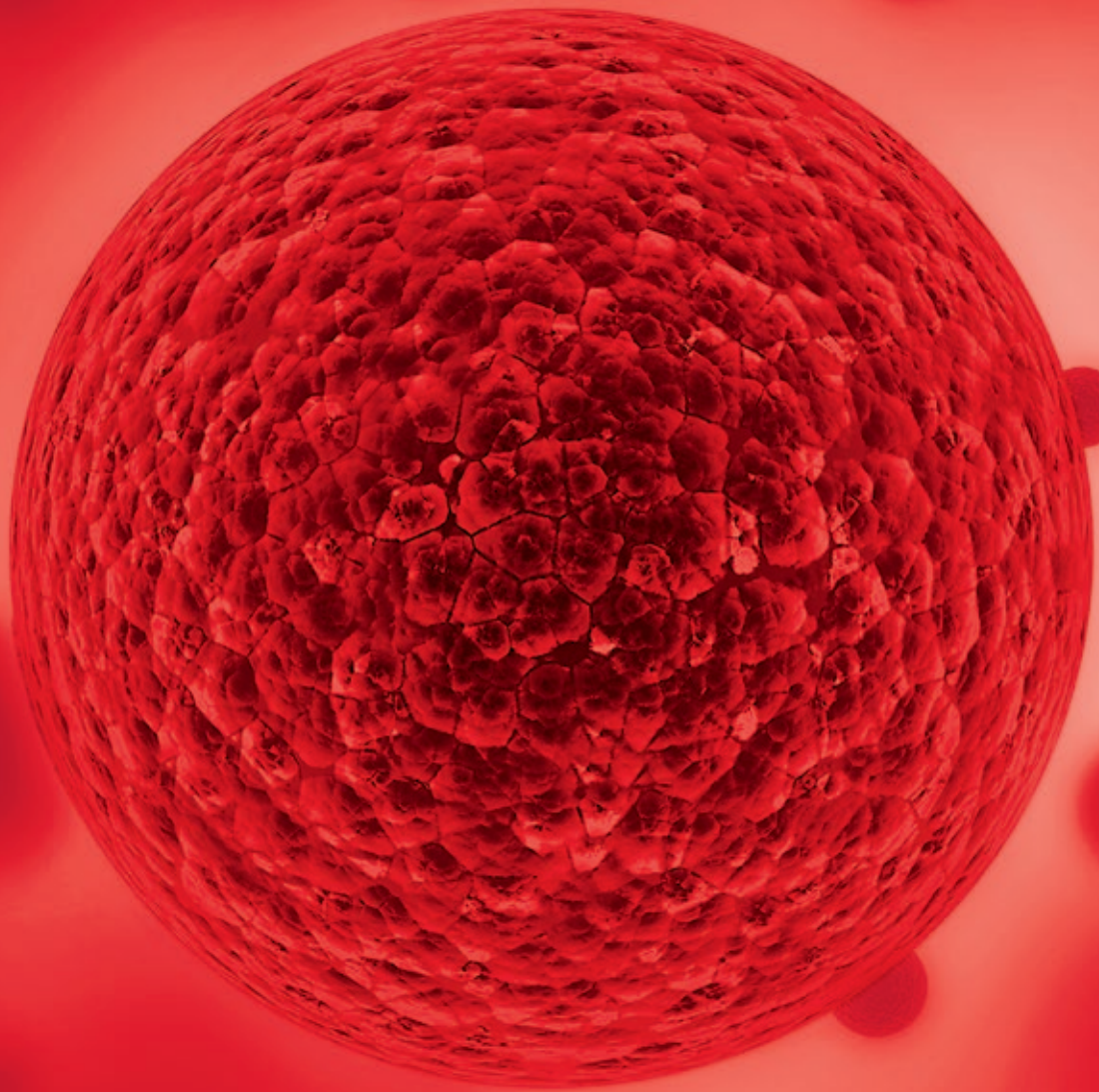
Exhaustive, multi-stage due diligence precedes the selection of individual investments. We must have a thorough understanding of every company we invest in. Before an investment is made, the team analyzes a company's financial statements in detail and assesses its competitive environment, R&D pipeline, 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 a maximum of 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	03/31/2019	12/31/2018
Current assets			
Cash and cash equivalents		8 407	22 072
Receivables from brokers		20 109	334
Securities at fair value through profit or loss	4	3 958 764	3 064 175
Other assets		182	263
		3 987 462	3 086 844
Total assets		3 987 462	3 086 844
Current liabilities			
Short-term borrowings from banks	5	375 000	185 000
Payables to brokers		2 366	13 139
Other short-term liabilities		4 657	4 056
Tax liabilities		116	137
		382 139	202 332
Total liabilities		382 139	202 332
Shareholders' equity			
Share capital	6	11 080	11 080
Retained earnings		3 594 243	2 873 432
		3 605 323	2 884 512
Total liabilities and shareholders' equity		3 987 462	3 086 844
Net asset value per share in CHF		65.10	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 April 24, 2019.

Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/–03/31/2019	01/01/–03/31/2018
Operating income			
Net gains from securities	4	902 042	39 477
Dividend income		519	2 585
Other income		3	6
		902 564	42 068
Operating expenses			
Finance expenses		(235)	(123)
Foreign exchange losses net		(115)	(1 534)
Administrative expenses	7	(10 681)	(10 647)
Other expenses		(1 735)	(1 520)
		(12 766)	(13 824)
Operating income before tax	8	889 798	28 244
Income taxes		(17)	(17)
Net income for the period		889 781	28 227
Total comprehensive income for the period		889 781	28 227
Income per share in CHF		16.06	0.51
Diluted income per share in CHF		16.06	0.51

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

Consolidated statement of changes in equity

(in CHF 1 000)

	Share capital	Treasury shares	Retained earnings	Total
Balances at January 1, 2018	11 080	–	3 527 595	3 538 675
Dividend	–	–	(182 820)	(182 820)
Total comprehensive income for the period	–	–	28 227	28 227
Balances at March 31, 2018	11 080	–	3 373 002	3 384 082
Balances at January 1, 2019	11 080	–	2 873 432	2 884 512
Dividend	–	–	(168 970)	(168 970)
Total comprehensive income for the period	–	–	889 781	889 781
Balances at March 31, 2019	11 080	–	3 594 243	3 605 323

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

Consolidated statement of cash flow

(in CHF 1 000)

	Notes	01/01–03/31/2019	01/01–03/31/2018
Cash flows from operating activities			
Proceeds from sales of securities	4	136 782	222 787
Purchase of securities	4	(159 877)	(235 292)
Dividend receipts		519	2 585
Payments for services		(11 731)	(12 012)
Income taxes paid		(38)	(4)
Total cash flows from operating activities		(34 345)	(21 936)
Cash flows from financing activities			
Dividend		(168 970)	(182 820)
Borrowing of bank loans	5	190 000	205 000
Interest payments		(235)	(123)
Total cash flows from financing activities		20 795	22 057
Foreign exchange difference		(115)	(1 534)
Change in cash and cash equivalents		(13 665)	(1 413)
Cash and cash equivalents at the beginning of the period		22 072	10 730
Cash and cash equivalents at the end of the period		8 407	9 317

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	03/31/2019	12/31/2018
USD	0.99520	0.98160
EUR	1.11639	1.12751
GBP	1.29700	1.25330

Fair values

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

03/31/2019	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Shares	3 958 764	–	–	3 958 764
– Derivative instruments	–	–	–	–
Total assets	3 958 764	–	–	3 958 764
12/31/2018				
Assets				
Securities at fair value through profit or loss				
– Shares	3 063 972	–	–	3 063 972
– Derivative instruments	–	203	–	203
Total assets	3 063 972	203	–	3 064 175

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

	01/01/–03/31/2019	01/01/–03/31/2018
Opening balance	–	–
Purchases	–	65 408
Reclassification	–	–
Income included in income from securities	–	1 547
Closing balance	–	66 955
Total income on level 3 instruments included in income from securities	–	1 547

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 Therapeutics Inc. as of December 6, 2018, a reclassification of the Moderna Therapeutics 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 03/31/2019	Market price in original currency 03/31/2019	Valuation CHF mn 03/31/2019	Valuation CHF mn 12/31/2018	
Ionis Pharmaceuticals	8 741 334	(1 016 334)	7 725 000	USD	81.17	624.0	463.9
Incyte	3 808 322	(188 322)	3 620 000	USD	86.01	309.9	237.7
Neurocrine Biosciences	3 343 090	23 696	3 366 786	USD	88.10	295.2	234.3
Vertex Pharmaceuticals	1 370 445	(70 445)	1 300 000	USD	183.95	238.0	222.9
Sage Therapeutics	1 375 229	–	1 375 229	USD	159.05	217.7	129.3
Celgene	2 303 875	(103 875)	2 200 000	USD	94.34	206.6	144.9
Agios Pharmaceuticals	2 878 134	100 000	2 978 134	USD	67.44	199.9	130.3
Alexion Pharmaceuticals	1 314 428	–	1 314 428	USD	135.18	176.8	125.6
Alnylam Pharmaceuticals	1 571 389	59 700	1 631 089	USD	93.45	151.7	112.5
Esperion Therapeutics	3 392 964	130 000	3 522 964	USD	40.15	140.8	153.2
Radius Health	6 710 276	71 409	6 781 685	USD	19.94	134.6	108.6
Halozyne Therapeutics	8 322 860	–	8 322 860	USD	16.10	133.4	119.5
Argenx SE	884 739	20 000	904 739	USD	124.84	112.4	83.4
Moderna Therapeutics	4 785 681	–	4 785 681	USD	20.35	96.9	71.7
Myovant Sciences	3 597 882	–	3 597 882	USD	23.87	85.5	58.0
Intercept Pharmaceuticals	575 719	121 257	696 976	USD	111.86	77.6	57.0
Gilead	1 332 204	(190 000)	1 142 204	USD	65.01	73.9	81.8
Nektar Therapeutics	1 380 975	639 701	2 020 676	USD	33.60	67.6	44.6
Exelixis	2 835 000	–	2 835 000	USD	23.80	67.1	54.7
Akcea Therapeutics	2 386 471	(8 833)	2 377 638	USD	28.33	67.0	70.6
Myokardia	877 266	387 647	1 264 913	USD	51.99	65.4	42.1
Macrogenics	3 283 272	116 728	3 400 000	USD	17.98	60.8	40.9
Wave Life Sciences	1 465 002	–	1 465 002	USD	38.85	56.6	60.5
Voyager Therapeutics	2 865 841	–	2 865 841	USD	19.14	54.6	26.4
Audentes Therapeutics	769 404	600 200	1 369 604	USD	39.02	53.2	16.1
Alder Biopharmaceuticals	2 766 008	–	2 766 008	USD	13.65	37.6	27.8
Crispr Therapeutics	–	810 462	810 462	USD	35.72	28.8	–
Scholar Rock Holding	1 279 978	196 861	1 476 839	USD	18.79	27.6	28.9
Intra-Cellular Therapies	2 200 000	–	2 200 000	USD	12.18	26.7	24.6
Sangamo Therapeutics	1 350 000	1 300 000	2 650 000	USD	9.54	25.2	15.2
Kezar Life Sciences	818 432	402 071	1 220 503	USD	17.74	21.5	19.0
G1 Therapeutics	671 925	–	671 925	USD	16.60	11.1	12.6
Cidara Therapeutics	2 295 272	–	2 295 272	USD	2.65	6.1	5.3
Novavax	8 330 000	–	8 330 000	USD	0.55	4.6	15.0
Homology Medicines	–	91 336	91 336	USD	27.73	2.5	–
Regeneron Pharmaceuticals	68 156	(68 156)	–	USD	410.62	–	25.0
Listed shares						3 958.8	3 063.9
Total shares						3 958.8	3 063.9
Radius Health, warrants, USD 14, 02/19/2019	71 409	(71 409)	–	USD	n.a.	–	0.2
Total derivative instruments						–	0.2
Total securities at fair value through profit or loss						3 958.8	3 064.2

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
Opening balance as at 01/01/2018 at fair values	3 623 929	–	3 140	3 627 069
Purchases	877 899	65 408	–	943 307
Sales	(1 076 876)	–	(2 235)	(1 079 111)
Reclassification ¹⁾	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)
Closing balance as at 12/31/2018 at fair values	3 063 972	–	203	3 064 175
Opening balance as at 01/01/2019 at fair values	3 063 972	–	203	3 064 175
Purchases	149 104	–	–	149 104
Sales	(156 188)	–	(370)	(156 558)
Net gains/(losses) from securities	901 875	–	167	902 042
<i>Realized gains</i>	32 980	–	167	33 147
<i>Unrealized gains</i>	922 618	–	–	922 618
<i>Unrealized losses</i>	(53 723)	–	–	(53 723)
Closing balance as at 03/31/2019 at fair values	3 958 764	–	–	3 958 764

¹⁾ IPO of Moderna Therapeutics Inc. as of December 6, 2018

5. Short-term borrowings from banks

At March 31, 2019, a CHF 375 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. The repurchase will take place via second trading line for the purpose of a subsequent capital reduction.

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

7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–03/31/2019	01/01–03/31/2018
Fund manager		
– Management fees (incl. VAT)	10 345	10 386
Personnel		
– Board of Directors remuneration	228	228
– Wages and salaries	67	19
– Social insurance contributions and duties	41	14
	10 681	10 647

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/–03/31/2019	01/01/–03/31/2018
USA	851 962	21 806
Great Britain	27 514	28 171
Netherlands	26 899	1 989
Germany	–	11
Ireland	–	(258)
Denmark	–	(12 923)
Switzerland	(1 679)	(3 398)
Singapore	(3 813)	3 294
Curaçao	(11 085)	(10 448)
	889 798	28 244

9. Assets pledged

At March 31, 2019, the securities in the amount of CHF 3 631.8 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 March 31, 2019, a CHF 375 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 March 31, 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 March 31, 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 March 31, 2019 and December 31, 2018.

13. Subsequent events

There have been no events subsequent to March 31, 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 31 March 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, 24 April 2019

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PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

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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 March 31, 2019

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

Shareholder information

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

Quotes and reports

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

Corporate calendar 2019

Interim Report as at June 30, 2019	July 19, 2019, 7.00 AM CET
Interim Report as at September 30, 2019	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.

Investor Relations



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



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



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

Media Relations



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

BB Biotech AG

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

Bellevue Asset Management AG

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



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