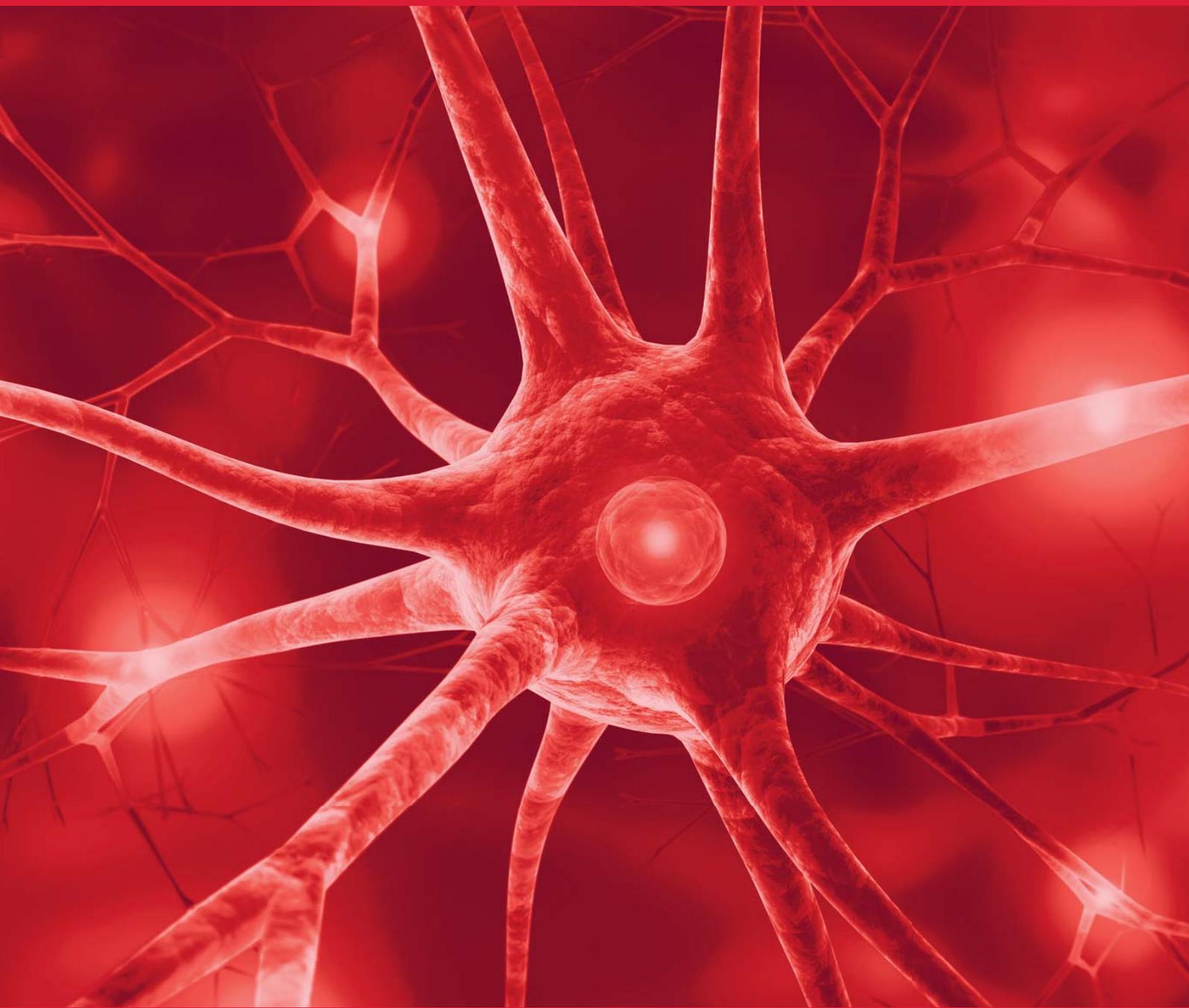


Interim Report as at March 31, 2018



B|B Biotech

Multi-year comparison

	03/31/2018	2017	2016	2015	2014
Market capitalization at the end of the period (in CHF mn)	3 709.0	3 576.1	3 052.5	3 463.2	2 799.0
Net Asset Value at the end of the period (in CHF mn)	3 384.1	3 538.7	3 003.0	3 978.2	3 492.5
Number of shares (in mn) ¹⁾	55.4	55.4	55.4	59.3	59.3
Trading volume (in CHF mn)	814.6	2 864.7	3 204.5	6 265.2	3 186.6
Profit/(loss) (in CHF mn)	28.2	687.5	(802.1)	652.8	1 470.1
Closing price at the end of the period in CHF ¹⁾	66.95	64.55	55.10	58.45	47.24
Closing price (G) at the end of the period in EUR ¹⁾	56.95	55.68	51.70	53.99	39.60
Closing price (I) at the end of the period in EUR ¹⁾	56.90	55.20	51.60	54.18	39.34
Stock performance (incl. distributions)	8.8%	23.1%	0.3%	28.2%	75.1%
High/low share price in CHF ¹⁾	73.40/64.00	67.80/52.10	58.20/40.78	70.25/46.48	48.16/26.74
High/low share price in EUR ¹⁾	62.90/55.95	59.10/48.42	53.98/36.74	66.02/39.39	39.98/21.82
Premium/(discount) (annual average)	5.5%	(2.5%)	(5.1%)	(17.6%)	(22.1%)
Cash distribution / dividend in CHF ¹⁾	N.A.	3.30	2.75	2.90	2.32
Degree of investment (quarterly figures)	108.7%	103.1%	109.9%	101.0%	104.6%
Total Expense Ratio (TER) p.a.	1.26%	1.24%	1.28%	1.13%	1.14%

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

Share price trend since foundation (in CHF)



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

Source: Bloomberg, 03/31/2018

Top 10 positions as at March 31, 2018

Ionis Pharmaceuticals	9.8%
Incyte	8.0%
Celgene	7.7%
Neurocrine Biosciences	7.3%
Vertex Pharmaceuticals	6.3%
Radius Health	5.5%
Agios Pharmaceuticals	5.4%
Gilead	5.2%
Esperion Therapeutics	4.5%
Halozyyme Therapeutics	4.3%

Breakdown by sector as at March 31, 2018

Oncology	30.1%
Orphan diseases	25.7%
Neurological diseases	15.7%
Metabolic diseases	11.9%
Cardiovascular diseases	6.2%
Infectious diseases	6.1%
Others	4.3%

Performance (adjusted for distributions, in local currency)

As of 03/31/2018	YTD	3 years	5 years	11/15/93
Switzerland	+8.8%	+31.5%	+298.3%	+2311%
Germany	+7.3%	+17.2%	+313.6%	N.A.
Italy	+8.1%	+16.1%	+310.9%	N.A.

Breakdown by currency as at March 31, 2018

USD	95.9%
DKK	3.6%
EUR	0.4%
CHF	0.1%

Weight in % of securities

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Volatility has returned to the markets, staging a revival in the first quarter of 2018. Regardless of the cautious investor sentiment, the BB Biotech share performed very well with an overall return (including dividend) of 8.8% in CHF and 7.3% in EUR. A number of portfolio companies – including Novo Nordisk, Neurocrines Partner Abbvie, Esperion, Alexion and Alder – published encouraging study results. Several large biotech companies are currently trading at well below their fundamental value, with pipeline successes and additional takeovers likely to boost key ratios and valuations.

Dear shareholders,

Equity markets got off to a volatile start in 2018. The 2017 rally extended briefly into the first quarter 2018 but reversed by February as US fiscal policy tightened followed and faltered again in March as US and China trade wars loomed. For the quarter, the S&P 500 held steady with a negative 0.8% return, the Dow Jones lost 2.0% and the Nasdaq Composite Index gained 2.6% (all values as total returns in USD). In contrast to the US which was buoyed by a weakening US dollar, European market indices declined including Euro Stoxx 600, which was down 4.0%, the DAX index was down 6.4% in EUR, and the SPI was down 5.2% in CHF.

Healthcare followed broader US equity indices. The drug space was subject to speculative discussions about lower drug pricing. New ideas, such as payers sharing rebates with patients and more debate about value-based pricing continue to fuel intermittent anxieties about drug and other healthcare sub-sector stocks. The MSCI World Healthcare Index (-1.0%) and the Nasdaq Biotechnology Index (0.1%) traded sideways (all values in USD).

BB Biotech's performance for the first quarter 2018

Despite these headwinds, BB Biotech shares gained 8.8% in CHF and 7.3% in EUR in the first quarter 2018. The portfolio was essentially flat at +0.4% in CHF, -0.1% in EUR and +2.3% in USD. The net profit amounted to CHF 28 mn compared to a net profit of CHF 375 mn for the same period in 2017. The currency impact was -1.9% as the US dollar declined modestly against the Swiss Franc. Return calculations for BB Biotech take into account the dividend distribution approved by shareholders at the AGM on March 13, 2018.

Continued capital distribution

BB Biotech paid out that proposed dividend of CHF 3.30 per share. The Board confirmed the continuation of the dividend policy and anticipates pay out of a regular dividend of 5% of the prior December's average share price.

The eleventh share repurchase program, started in April 2016, which allows BB Biotech to acquire up to 10% of the company's outstanding shares over a period of up to three years, continues. BB Biotech did not trade on the second trading line in the first quarter of 2018, which means it has not been used since April 2016.

Increase of investment levels in the first three months of 2018

The management team increased short-term credits – increasing investment levels from 102.5% to 108.7% during the quarter. And in total, the dividend payout of CHF 183 mn plus investments in promising new and existing portfolio holdings modestly exceeded cash received from sale of Juno shares to Celgene which generated USD 164 mn of cash inflow for BB Biotech.

First quarter portfolio activity

As always, existing portfolio positions were carefully adjusted amid choppy equity markets. BB Biotech re-invested profits from holdings in Agios, Neurocrine, Sage, Alnylam and Gilead into firms which offered attractive re-entry levels such as Tesaro, Ionis and Regeneron and built further stakes in Akcea Therapeutics and Voyager Therapeutics.

Continuing the strategy of investing in innovative smaller and mid-cap companies, Moderna Therapeutics, a private company which is pioneering a new class mRNA medicine, has been added to the portfolio. Their pipeline includes candidates for vaccines and treatments in diverse therapeutic areas. Moderna has ten clinical trials underway and has so far raised more than USD 1.5 bn in equity and USD 1 bn in smart strategic deals. BB Biotech invested USD 70 mn into Moderna's Series G, broadening our RNA technology exposure which reached 19% of the portfolio by the end of the first quarter.

A second new portfolio position was initiated with Argenx being an antibody platform company with a range of mid-to-late stage clinical candidates – ARGX-113 being the most advanced. This molecule is being studied in three IgG-mediated autoimmune diseases. Important clinical trial read-outs are expected in the coming 12 months. A second candidate, ARGX-110, should begin proof-of-concept clinical trials for acute myeloid leukemia later in 2018.

Solid progress of the portfolio holdings

BB Biotech also saw key late-stage clinical trials data during the first quarter of 2018. Novo Nordisk reported positive results from the Phase III, PIONEER-1 trial of orally available semaglutide for type 2 diabetes. Oral semaglutide improved HbA1c (long-term blood sugar) at all dose levels tested. The highest dose also caused impressive weight loss (>4 kg at 26 weeks). Novo Nordisk expect to report nine more trials for oral semaglutide in 2018 and to file for approval in 2019. Once approved, oral semaglutide will allow Novo Nordisk to target a large and fast growing market segment.

Alder reported a second positive Phase III trial, PROMISE 2, for eptinezumab in chronic migraine prevention. One third of patients achieved at least 75% reduction of migraine days compared to baseline. About 15% of patients had no migraines for three months. If approved, Alder is expected to launch eptinezumab in 2019.

Alexion's late stage development candidate ALXN-1210 for complement inhibition in PNH patients was tested successfully. ALXN-1210 given every two months is similar in effect to Soliris given every two weeks for key endpoints such as transfusion avoidance and lactate dehydrogenase normalization. These data support a potentially attractive life-cycle extension play for Alexion as they intend to submit regulatory applications in the US, EU and Japan in the second half of 2018.

Neurocrine's partner Abbvie announced two positive Phase III studies, ELARIS UF-I and -II, for elagolix. In combination with low-dose hormone (add-back) therapy, elagolix reduced heavy menstrual bleeding in 75% of women compared to 10% in the placebo group. Abbvie expects to secure US FDA approval for the treatment of endometriosis in the third quarter of 2018 and will submit another application for uterine fibroids in 2019.

Esperion's STUDY 4 of bempedoic acid met its primary endpoint – lowering LDL-C by 24% in patients on either ezetimibe or low dose statin. The company is expected to report four additional Phase III studies in 2018 and submit a new drug application in early 2019.

Two of BB Biotech's portfolio companies scored FDA approvals in Q1 2018. Gilead won approval for Bictarvy, a triple combination HIV pill. Vertex won approval of Symdeko – their third cystic fibrosis drug – this one for patients >12 years old with homozygous or heterozygous F508del mutation.

The management team was disappointed to learn that Celgene got a surprise refusal-to-file letter from the FDA for ozanimod in relapsing multiple sclerosis. Also, Radius got a negative vote from the EMA for Abaloparatide-sc for treating osteoporosis in postmenopausal women.

«We anticipate that M&A activities will continue. Pharmaceutical and large biotechnology companies have stated real interest in acquisition of leading technologies.»

Despite some Wall Street expectations, M&A activities have not accelerated yet – even in the wake of cash repatriation and tax reform. BB Biotech continues to enjoy and anticipates attractive exits such as Kite – sold to Gilead for USD 12 bn in 2017, and Juno – sold to Celgene for USD 9 bn in January 2018 – realizing a net profit for BB Biotech of USD 96 mn. With this transaction, both BB Biotech holdings focusing on cell-based therapies were taken over by large cap biotechnology companies.

Outlook

Important milestones are expected in biotech for 2018 – and the management team believes these will overcome the short-term downturn in sentiment seen in the first quarter. Several large cap biotechnology companies currently trade well below fundamental value, so we expect pipeline successes and more takeovers to drive multiples and valuations higher.

In a highly anticipated study, Incyte reported that Epacadostat, tested in combination with Keytruda in patients with unresectable or metastatic melanoma, did not add benefit over Keytruda monotherapy. However, BB Biotech assumes that investor's attention will shift towards the company's remaining broad pipeline. For the rest of the year, further late stage clinical trial results and product approvals are expected to drive equity value. In addition, the management team anticipates M&A activities will continue. Pharmaceutical and large biotechnology companies have stated real interest in acquisition of leading technologies. The US healthcare system – now largely influenced by the leadership of Alex Azar (HHS) and

Scott Gottlieb (FDA) – will move towards improved price transparency driving changes in the somewhat testy relationships between payers, PBMs, providers and the drug industry. BB Biotech’s longstanding commitment to invest in leading technologies, addressing unmet medical needs with sustainable economic value continues to underpin its strong and optimistic commitment to the sector. The management team will continue to add promising new smaller and mid-cap positions to the investment portfolio and manage the portfolio actively to produce the best results for the 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 March 31, 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	8 516 334	380 000	USD	44.08	359.1	9.8%	10.6%	6.8%
Incyte	3 698 322	–	USD	83.33	294.8	8.0%	8.7%	1.7%
Celgene	3 324 298	(100 000)	USD	89.21	283.7	7.7%	8.4%	0.4%
Neurocrine Biosciences	3 402 753	(50 000)	USD	82.93	269.9	7.3%	8.0%	3.8%
Vertex Pharmaceuticals	1 475 445	–	USD	162.98	230.0	6.3%	6.8%	0.6%
Radius Health	5 853 799	155 000	USD	35.94	201.2	5.5%	5.9%	13.3%
Agios Pharmaceuticals	2 535 253	(184 745)	USD	81.78	198.3	5.4%	5.9%	4.4%
Gilead	2 674 596	(100 000)	USD	75.39	192.9	5.2%	5.7%	0.2%
Esperion Therapeutics	2 412 964	50 000	USD	72.33	166.9	4.5%	4.9%	9.1%
Halozyme Therapeutics	8 520 137	–	USD	19.59	159.6	4.3%	4.7%	5.9%
Sage Therapeutics	1 002 439	(40 000)	USD	161.07	154.4	4.2%	4.6%	2.2%
Alexion Pharmaceuticals	1 394 428	40 000	USD	111.46	148.7	4.0%	4.4%	0.6%
Novo Nordisk	2 802 511	77 736	DKK	297.50	131.6	3.6%	3.9%	0.1%
Alnylam Pharmaceuticals	1 011 338	(40 000)	USD	119.10	115.2	3.1%	3.4%	1.0%
Regeneron Pharmaceuticals	280 000	75 000	USD	344.36	92.2	2.5%	2.7%	0.3%
Tesaro	1 629 743	583 550	USD	57.14	89.1	2.4%	2.6%	3.0%
Myovant Sciences	3 507 882	–	USD	21.27	71.4	1.9%	2.1%	5.8%
Moderna Therapeutics ¹⁾	6 958 250	6 958 250	USD	10.06	67.0	1.8%	2.0%	–
Macrogenics	2 600 412	–	USD	25.16	62.6	1.7%	1.8%	6.3%
Akcea Therapeutics	2 389 571	1 140 921	USD	25.61	58.5	1.6%	1.7%	3.6%
AveXis	402 800	–	USD	123.58	47.6	1.3%	1.4%	1.1%
Intra-Cellular Therapies	2 200 000	–	USD	21.05	44.3	1.2%	1.3%	4.0%
Voyager Therapeutics	1 992 641	453 121	USD	18.79	35.8	1.0%	1.1%	6.2%
Wave Life Sciences	896 096	40 000	USD	40.10	34.4	0.9%	1.0%	3.2%
Intercept Pharmaceuticals	545 719	60 000	USD	61.52	32.1	0.9%	0.9%	2.2%
Argenx SE	396 819	396 819	USD	80.44	30.5	0.8%	0.9%	1.2%
Alder Biopharmaceuticals	2 266 008	–	USD	12.70	27.5	0.7%	0.8%	3.3%
Novavax	8 330 000	–	USD	2.10	16.7	0.5%	0.5%	2.4%
Five Prime Therapeutics	977 500	150 000	USD	17.18	16.1	0.4%	0.5%	2.8%
Prothena Corp.	400 000	50 000	USD	36.71	14.0	0.4%	0.4%	1.0%
Probiobdrug	1 050 784	–	EUR	10.55	13.0	0.4%	0.4%	12.8%
Cidara Therapeutics	2 295 272	–	USD	4.00	8.8	0.2%	0.3%	11.1%
Achillion Pharmaceuticals	1 279 340	–	USD	3.71	4.5	0.1%	0.1%	0.9%
Idorsia	151 494	(172 112)	CHF	22.92	3.5	0.1%	0.1%	0.1%
Radius Health warrants, 04/23/2018	107 114	–	USD	21.96	2.2	0.1%	0.1%	–
Radius Health warrants, 02/19/2019	71 409	–	USD	22.33	1.5	0.0%	0.0%	–
Total securities					3 679.8	100.0%	108.7%	
Other assets					9.3		0.3%	
Other payables					(305.0)		(9.0%)	
Net asset value					3 384.1		100.0%	
BB Biotech registered shares ²⁾	–	–			–			

¹⁾ Unlisted company

²⁾ Correspond to the total of all own shares held including the second trading line

Exchange rates as at 03/31/2018:

USD/CHF: 0.95650; DKK/CHF: 15.78380; EUR/CHF: 1.17647

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.

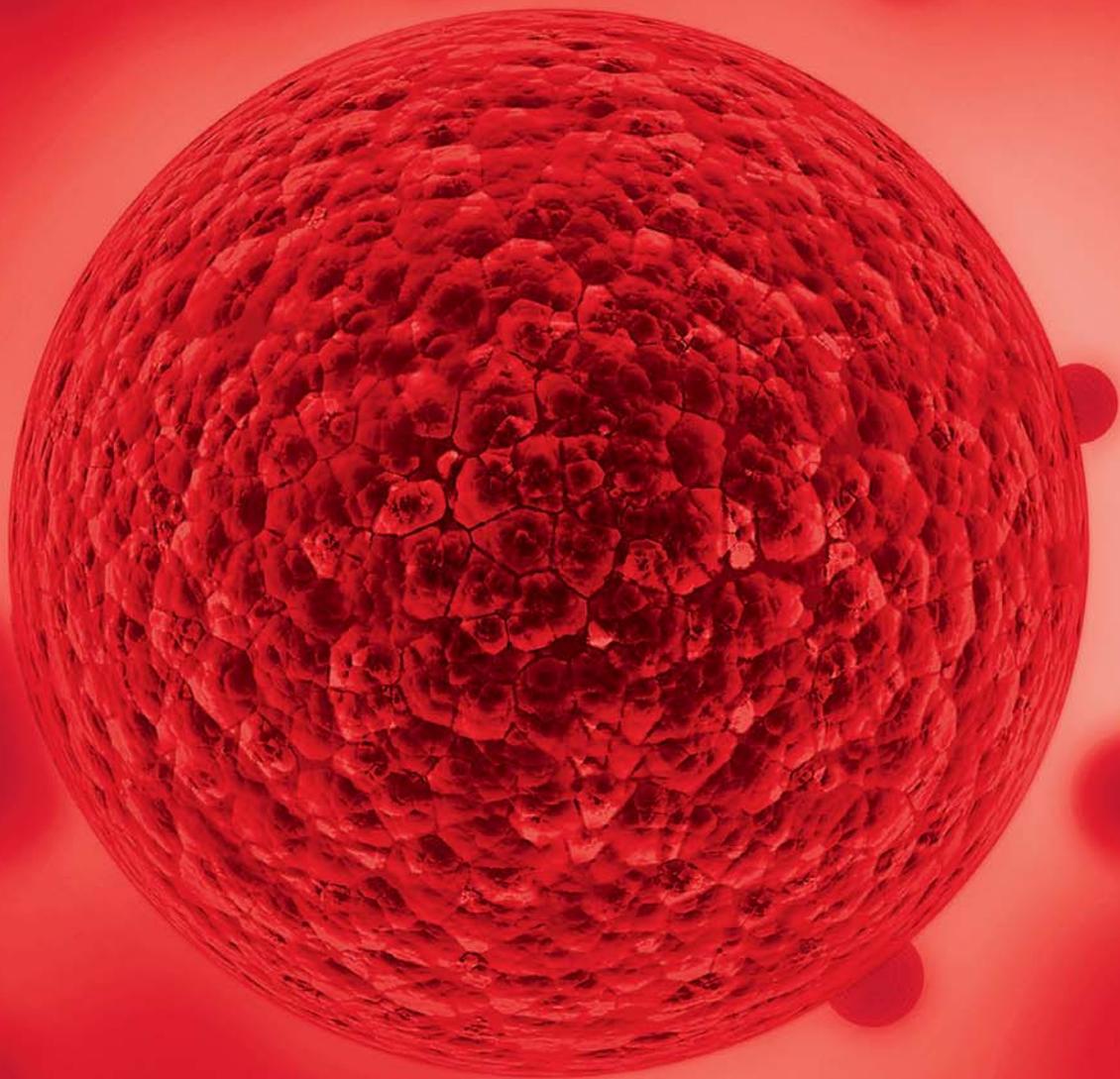
Portfolio with clear areas of focus

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	03/31/2018	12/31/2017
Current assets			
Cash and cash equivalents		9 317	10 730
Securities at fair value through profit or loss	4	3 679 787	3 627 069
Other assets		7	–
		3 689 111	3 637 799
Total assets		3 689 111	3 637 799
Current liabilities			
Short-term borrowings from banks	5	300 000	95 000
Payables to brokers		736	–
Other short-term liabilities		4 206	4 049
Tax liabilities		87	75
		305 029	99 124
Total liabilities		305 029	99 124
Shareholders' equity			
Share capital	6	11 080	11 080
Retained earnings		3 373 002	3 527 595
		3 384 082	3 538 675
Total liabilities and shareholders' equity		3 689 111	3 637 799
Net asset value per share in CHF		61.10	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 April 17, 2018.

Consolidated statement of comprehensive income

(in CHF 1 000)

	Notes	01/01/-03/31/2018	01/01/-03/31/2017
Operating income			
Net gains from securities	4	39 477	383 000
Dividend income		2 585	2 720
Other income		6	4
		42 068	385 724
Operating expenses			
Finance expenses		(123)	(203)
Foreign exchange losses net		(1 534)	(247)
Administrative expenses	7	(10 647)	(8 775)
Other expenses		(1 520)	(1 492)
		(13 824)	(10 717)
Operating income before tax	8	28 244	375 007
Income taxes		(17)	(8)
Net income for the period		28 227	374 999
Total comprehensive income for the period		28 227	374 999
Income per share in CHF		0.51	6.78
Diluted income per share in CHF		0.51	6.77

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, 2017	11 080	(859)	2 992 798	3 003 019
Dividend	–	–	(152 066)	(152 066)
Trade with treasury shares (incl. change in balance)	–	(8 227)	102	(8 125)
Share-based remuneration	–	–	25	25
Total comprehensive income for the period	–	–	374 999	374 999
Balances at March 31, 2017	11 080	(9 086)	3 215 858	3 217 852
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

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/-03/31/2018	01/01/-03/31/2017
Cash flows from operating activities			
Proceeds from sales of securities	4	222 787	195 235
Purchase of securities	4	(235 292)	(135 334)
Dividend receipts		2 585	2 720
Payments for services		(12 012)	(10 155)
Income taxes paid		(4)	(52)
Total cash flows from operating activities		(21 936)	52 414
Cash flows from financing activities			
Cash distribution / dividend		(182 820)	(152 066)
Proceeds from sales of treasury shares	6	–	1 542
Purchase of treasury shares	6	–	(10 467)
Borrowing of bank loans	5	205 000	105 000
Interest payments		(123)	(203)
Total cash flows from financing activities		22 057	(56 194)
Foreign exchange difference		(1 534)	(247)
Change in cash and cash equivalents		(1 413)	(4 027)
Cash and cash equivalents at the beginning of the period		10 730	10 229
Cash and cash equivalents at the end of the period		9 317	6 202

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 uses foreign currency options and/or forward contracts to reduce the currency risk.

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

Currency	03/31/2018	12/31/2017
USD	0.95650	0.97420
EUR	1.17647	1.16995
DKK	15.78380	15.71020
SEK	11.44310	11.90140

Fair values

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

03/31/2018	Level 1	Level 2	Level 3	Total
Assets				
Securities at fair value through profit or loss				
– Shares	3 609 057	–	66 955	3 676 012
– Derivative instruments	–	3 775	–	3 775
Total assets	3 609 057	3 775	66 955	3 679 787
12/31/2017				
Assets				
Securities at fair value through profit or loss				
– Shares	3 623 929	–	–	3 623 929
– Derivative instruments	–	3 140	–	3 140
Total assets	3 623 929	3 140	–	3 627 069

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

	01/01/-03/31/2018	01/01/-03/31/2017
Opening balance	–	–
Purchases	65 408	–
Profit included in gains from marketable securities	1 547	–
Closing balance	66 955	–
Total profit on level 3 instruments included in gains from marketable 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. For the valuation as at March 31, 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 03/31/2018	Market price in original currency 03/31/2018	Valuation CHF mn 03/31/2018	Valuation CHF mn 12/31/2017	
Ionis Pharmaceuticals	8 136 334	380 000	8 516 334	USD	44.08	359.1	398.7
Incyte	3 698 322	–	3 698 322	USD	83.33	294.8	341.2
Celgene	3 424 298	(100 000)	3 324 298	USD	89.21	283.7	348.1
Neurocrine Biosciences	3 452 753	(50 000)	3 402 753	USD	82.93	269.9	261.0
Vertex Pharmaceuticals	1 475 445	–	1 475 445	USD	162.98	230.0	215.4
Radius Health	5 698 799	155 000	5 853 799	USD	35.94	201.2	176.4
Agios Pharmaceuticals	2 719 998	(184 745)	2 535 253	USD	81.78	198.3	151.5
Gilead	2 774 596	(100 000)	2 674 596	USD	75.39	192.9	193.6
Esperion Therapeutics	2 362 964	50 000	2 412 964	USD	72.33	166.9	151.6
Halozyme Therapeutics	8 520 137	–	8 520 137	USD	19.59	159.6	168.2
Sage Therapeutics	1 042 439	(40 000)	1 002 439	USD	161.07	154.4	167.3
Alexion Pharmaceuticals	1 354 428	40 000	1 394 428	USD	111.46	148.7	157.8
Novo Nordisk	2 724 775	77 736	2 802 511	DKK	297.50	131.6	143.2
Alnylam Pharmaceuticals	1 051 338	(40 000)	1 011 338	USD	119.10	115.2	130.1
Regeneron Pharmaceuticals	205 000	75 000	280 000	USD	344.36	92.2	75.1
Tesaro	1 046 193	583 550	1 629 743	USD	57.14	89.1	84.5
Myovant Sciences	3 507 882	–	3 507 882	USD	21.27	71.4	43.2
Macrogenics	2 600 412	–	2 600 412	USD	25.16	62.6	48.1
Akcea Therapeutics	1 248 650	1 140 921	2 389 571	USD	25.61	58.5	21.1
AveXis	402 800	–	402 800	USD	123.58	47.6	43.4
Intra-Cellular Therapies	2 200 000	–	2 200 000	USD	21.05	44.3	31.0
Voyager Therapeutics	1 539 520	453 121	1 992 641	USD	18.79	35.8	24.9
Wave Life Sciences	856 096	40 000	896 096	USD	40.10	34.4	29.3
Intercept Pharmaceuticals	485 719	60 000	545 719	USD	61.52	32.1	27.6
Argenx SE	–	396 819	396 819	USD	80.44	30.5	–
Alder Biopharmaceuticals	2 266 008	–	2 266 008	USD	12.70	27.5	25.3
Novavax	8 330 000	–	8 330 000	USD	2.10	16.7	10.1
Five Prime Therapeutics	827 500	150 000	977 500	USD	17.18	16.1	17.7
Prothena Corp.	350 000	50 000	400 000	USD	36.71	14.0	12.8
ProbiDRUG	1 050 784	–	1 050 784	EUR	10.55	13.0	13.0
Cidara Therapeutics	2 295 272	–	2 295 272	USD	4.00	8.8	15.2
Achillion Pharmaceuticals	1 279 340	–	1 279 340	USD	3.71	4.5	3.6
Idorsia	323 606	(172 112)	151 494	CHF	22.92	3.5	8.2
Juno Therapeutics	1 925 000	(1 925 000)	–	USD	n.a.	–	85.7
Listed shares						3 609.0	3 623.9
Moderna Therapeutics	–	6 958 250	6 958 250	USD	10.06	67.0	–
Unlisted shares						67.0	–
Total shares						3 676.0	3 623.9
Radius Health, warrants, USD 14, 04/23/2018	107 114	–	107 114	USD	21.96	2.2	1.9
Radius Health, warrants, USD 14, 02/19/2019	71 409	–	71 409	USD	22.33	1.5	1.3
Total derivative instruments						3.8	3.2
Total securities at fair value through profit or loss						3 679.8	3 627.1

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 01/01/2017 at fair values	3 201 135	–	4 721	3 205 856
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)
Closing balance as at 12/31/2017 at fair values	3 623 929	–	3 140	3 627 069
Opening balance as at 01/01/2018 at fair values	3 623 929	–	3 140	3 627 069
Purchases	170 620	65 408	–	236 028
Sales	(222 787)	–	–	(222 787)
Net gains/(losses) from securities	37 295	1 547	635	39 477
<i>Realized gains</i>	76 487	–	–	76 487
<i>Unrealized gains</i>	217 967	1 547	635	220 149
<i>Unrealized losses</i>	(257 159)	–	–	(257 159)
Closing balance as at 03/31/2018 at fair values	3 609 057	66 955	3 775	3 679 787

5. Short-term borrowings from banks

At March 31, 2018, a CHF 300 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 March 31, 2018, no shares had been repurchased under this share buy-back program.

From January 1, 2018, through March 31, 2018, no treasury shares were purchased or sold (01/01–03/31/2017: Purchase of 168 965 shares at an average price of CHF 57.21/Sale of 26 000 shares at an average price of CHF 59.32). At March 31, 2018, and December 31, 2017 the Group holds no treasury shares.

7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–03/31/2018	01/01–03/31/2017
Fund manager		
– Management fees (incl. VAT)	10 386	8 488
Personnel		
– Board of Directors remuneration	228	253
– Wages and salaries	19	14
– Social insurance contributions and duties	14	20
	10 647	8 775

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/-03/31/2017: 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/-03/31/2018	01/01/-03/31/2017
Great Britain	28 171	(2 864)
USA	21 806	323 382
Singapore	3 294	–
Netherlands	1 989	–
Germany	11	(2 495)
Sweden	–	9 288
Ireland	(258)	2 028
Switzerland	(3 398)	59 285
Curaçao	(10 448)	(8 655)
Denmark	(12 923)	(4 962)
	28 244	375 007

9. Assets pledged

At March 31, 2018, the securities in the amount of CHF 3 070.3 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 March 31, 2018, a CHF 300 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 March 31, 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 March 31, 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 March 31, 2018 and December 31, 2017.

13. Subsequent events

There have been no events subsequent to March 31, 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 31 March 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

Martin Gubler
Audit expert

Zürich, 18. April 2018

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Company profile

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

Official listing and share structure as at March 31, 2018

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

Shareholder information

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

Quotes and reports

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

Corporate calendar 2018

Interim Report as at June 30, 2018	July 20, 2018, 7.00 AM CET
Interim Report as at September 30, 2018	October 19, 2018, 7.00 AM CET

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

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