

Press Release of July 29, 2010

Interim Report of BB BIOTECH AG as of June 30, 2010

Valuation of biotechnology companies at historic lows

In its Interim Report, BB BIOTECH looked back on a difficult first half-year period for 2010. The most relevant topics were the impact of the US healthcare reform and of government austerity measures in the European healthcare sector, and the weakness of the euro. These discussions have unsettled investors and have led to hectic and at times exaggerated market reactions. During the first half-year period, BB BIOTECH's share price declined by –19.5% (in CHF, dividend-adjusted). In order to profit increasingly from the growth potential of small and medium-sized biotech companies, the management team will, in future, increase the weighting of such companies in the portfolio. BB BIOTECH is confident of the second half-year period and expects a positive flow of news from its portfolio companies, good operating results and a more objective debate on the impact of the healthcare reforms.

Review of the biotechnology market

Attention at the beginning of the year was focused on US healthcare reform but in the second quarter of 2010 it shifted to the European debt crisis and the resulting weakness of the euro as well as government austerity measures. Cutting the prices of drugs was one of the options floated by policymakers for reducing government spending. However, they have conceded that drug makers must maintain an innovative edge notwithstanding the general pressure on costs. Most of the price cuts imposed by Spain, for instance, concerned older generic products, which account for 25% of all drugs. Innovative medications were affected at a rate of between 4% and 7.5%. Germany will also impose price cuts in August, which will be in the order of 5% to 10%. However, the majority of the additional contributions will once again be borne by the insured parties from 2011, as insurance premiums will be raised from 14.9% to 15.5%. Some of these measures are limited in time, therefore in the coming years a return to normality is expected. One should also not forget that prices in the European market have been cut before, too.

In such an environment the Nasdaq Biotechnology Index retreated about 15% (in USD) during the course of the second quarter. Shares of well-established profitable companies as well as small and mid-cap stocks declined more than the broader equity markets. Despite a positive flow of news from our portfolio companies, BB BIOTECH shares could not shrug off the negative sector trend and closed the quarter with a sequential loss of 16% (in CHF). During the first-half period BB BIOTECH AG's share price declined by –19.5% (in CHF, dividend-adjusted) and its Net Asset Value receded 16.9%. The deliberate overweighting of the core portfolio holdings was a disadvantage in the preceding months because even profitable biotechnology companies were marked down.

Review of the portfolio in the second quarter

Actelion (–16%, in CHF), our largest position, presented positive data from an early-stage clinical trial with selexipag for patients with pulmonary arterial hypertension (PAH). Selexipag, together with Macitentan, constitutes the cornerstone of the company's development program to strengthen and maintain its PAH franchise.

Celgene (–18%, in USD) reported positive Phase III data on Revlimid for multiple myeloma. This data supports our view that Revlimid has considerable growth potential in the coming years. At the end of June the company took advantage of the sector's low valuations and acquired Abraxis BioScience for USD 2.9 bn. Abraxis BioScience already has a product in the market for breast cancer.

Despite good Phase III data on Telaprevir in the treatment of hepatitis C, **Vertex** shares were down 20% (in USD) over the reporting period. Data from two more Phase III studies will be published in the months ahead and we expect them to confirm the product's commercial potential. Regulatory approval is expected to be given next year.

Novo Nordisk (+16%, in DKK) published excellent quarterly results and increased its guidance for current-year profit growth to 10% to 13%. The market launch of its diabetes drug Victoza has gone well in both the USA and Europe while potential competing products have suffered some setbacks. Together with the positive clinical data on Degludec, a long-acting insulin, this news confirmed the outlook for longer-term double-digit profit growth at Novo Nordisk.

Gilead Sciences has seen its share price retreat more than 25% (in USD) during the past three months. First-quarter results were disappointing because the market had underestimated the impact of US healthcare reform. The current valuation with a

2010 P/E of 10 reflects market skepticism about the company's future growth. We are confident that Gilead Sciences can defend its leading market position in the treatment of HIV.

Valuations are at historically low levels and operating results have been good so we are making no changes to our core portfolio holdings. The current market environment offers attractive opportunities for investing in small and mid-sized companies and we will be increasing the weighting of such companies in our portfolio strategy going forward. The aim is to establish the next generation of core portfolio holdings, which have shown potential for significant price increases due to their innovative products and technologies. Additional buying in the second quarter was financed by an increase in the leverage from 102.2% to 114.6%. In this context the Management Team established four promising new positions in the second quarter:

- **Biomarin** develops and markets drugs for treating rare genetic diseases. The company already has three drugs in the market and more interesting drug candidates are in the pipeline.
- **Alexion's** Soliris product for treating paroxysmal nocturnal hemoglobinuria (PNH), a rare and potentially life-threatening blood disorder, has received marketing approval in a number of countries. Possible line extensions would further increase the market potential of Soliris in the coming years.
- **Halozyme** has developed a technology platform for easier and better delivery of protein and peptide-based drugs. Halozyme's technology is now being used to explore new formulations of major products already in the market, such as Herceptin and Rituxan (both from Roche).
- **Idenix** has an early-stage but broad pipeline of drug candidates for the treatment of hepatitis C virus (HCV). Positive Phase II data on its nucleotide inhibitor IDX184 were recently presented.

Major biotechnology companies have projected that US healthcare reform will lower their total revenues by -0.5% to -2.0%, which is roughly in line with expectations. According to our own analysis, austerity measures in Europe will have a similar impact on top-line revenues.

Outlook and positioning

The second quarter reporting season and company statements on their outlook for the rest of the year will provide more clarity. Initial company statements from the larger companies reflect an intensification of the price policy in Europe, which in turn can be observed in the figures for the second half-year period. The companies have been affected in a similar manner as was the case with the US healthcare reform, which reduced turnover by -0.5% to -2.0%. We expect a more objective debate on the impact of the reforms and on the deficit-cutting efforts in the US and in Europe. Market expectations for the biotech sector in the current and coming year are already low. An improvement in operating results and the approval and launch of several innovative drugs with multi-billion dollar potential in the next 12 to 24 months will be reflected in share prices as time goes by. If valuations do remain where they are, there will likely be more acquisitions. In fact, several larger companies have already begun to use their free cash flow to finance substantial share buybacks.

We do not rule out the short-term possibility that the market will come to different conclusions in its analysis and evaluation of our strategy and stock selection. We are confident that the aforementioned negative factors are already anticipated in the current share prices and that the sector is trading at very attractive levels, as determined in our fundamental analysis.

The complete Interim Report as at June 30, 2010, and a webcast with Dr. Daniel Koller (in German) are available on www.bbbiotech.com

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Company profile

BB BIOTECH invests in companies in the fast growing market of biotechnology and is one of the world's largest investors with CHF 1.2 bn asset under management in this sector. BB BIOTECH is listed in Switzerland, Germany and Italy. Its investments are focused on listed companies that are developing and commercializing novel medical treatments and cures. BB BIOTECH's investment selection process is guided by the fundamental research and analysis of physicians and molecular biologists. Its Board of Directors has many years of experience in industry and science.

Composition of BB BIOTECH's portfolio as at June 30, 2010

(in % of securities, rounded values)

CORE HOLDINGS

Actelion	20.8%
Celgene	17.8%
Gilead	15.5%
Vertex Pharmaceuticals	12.7%

SMALL PARTICIPATIONS

Novo Nordisk	5.5%
Micromet	2.8%
Incyte	2.6%
Immunogen	2.6%
Zymogenetics	2.4%
Amgen	2.1%
Genzyme	2.1%
Roche Holding GS	1.7%
Intercell	1.5%
Arena Pharmaceuticals	1.3%
Alexion Pharmaceuticals	1.3%
Biomarin Pharmaceutical	1.3%
Optimer Pharmaceuticals	1.1%
Affymetrix	0.9%
Bavarian Nordic	0.9%
Basilea Pharmaceutica	0.9%
Biogen Idec	0.6%
Elan	0.5%
Probiodrug ¹⁾	0.5%
Cosmo Pharmaceuticals ²⁾	0.1%
Idenix Pharmaceuticals	0.1%
Halozyme Therapeutics	0.1%
SWAP agreement on treasury shares	<0.1%
Cosmo Pharmaceuticals put option (long) ²⁾	<0.1%
Vertex put option (short)	<(0.1%)

Total securities **CHF 1 341.4 mn**

Liquid funds (net)	CHF (178.1) mn
Other assets	CHF 10.3 mn
Other payables	CHF (3.5) mn

Total shareholder's equity **CHF 1 170.1 mn**

Treasury shares (in % of company) ³⁾ 13.0%

1) Unlisted company

2) Exchange from shares BioXell due to the acceptance of the public tender offer of Cosmo Pharmaceuticals

3) Correspond to the total of all own shares held in Switzerland, Germany and Italy including the second trading line