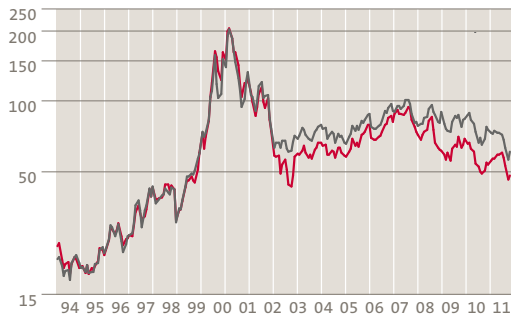


Interim Report as at September 30, 2011

**SHARE PRICE TREND SINCE FOUNDATION (in CHF)**



■ BB BIOTECH ■ BB BIOTECH Net Asset Value

Source: Bloomberg, 09/30/2011

**PERFORMANCE (adjusted for dividends, in local currency)**

As at 09/30/2011	YTD	3Y	5Y	11/15/1993
<b>Switzerland</b>	-8.1%	-26.2%	-22.4%	+193.5%
<b>Germany</b>	-7.0%	-6.4%	+0.3%	N.A.
<b>Italy</b>	-7.2%	-4.8%	+0.5%	N.A.

**TOP 10 POSITIONS AS OF SEPTEMBER 30, 2011**

Celgene	16.9%
Actelion	12.5%
Vertex Pharmaceuticals	10.7%
Gilead	8.9%
Novo Nordisk	6.1%
Incyte	5.7%
Immunogen	3.9%
Isis Pharmaceuticals	3.3%
Pharmasset	2.9%
Micromet	2.8%

**BREAKDOWN BY SECTOR AS OF SEPTEMBER 30, 2011**


Oncology	33.3%
Cardiovascular diseases	26.2%
Infectious diseases	12.5%
Metabolic diseases	11.6%
Autoimmun diseases	4.3%
Others	12.1%

**BREAKDOWN BY CURRENCY AS OF SEPTEMBER 30, 2011**

USD	75.1%
CHF	12.5%
DKK	7.2%
Others	5.2%

**MULTI-YEAR COMPARISON BB BIOTECH**

	12 months	2010	2009	2008	2007
Market capitalization at the end of the period (in CHF mn)	884.9	1 126.3	1 396.9	1 392.2	1 924.9
Net Asset Value at the end of the period (in CHF mn)	926.4	1 234.8	1 516.2	1 504.8	1 767.2
Number of shares (in mn)	16.4	18.2	18.2	20.3	22.5
Trading volume (in CHF mn p.a.)	835.0	968.1	797.0	1 640.4	3 326.8
Profit/(loss) (in CHF mn)	(106.8)	(146.3)	36.6	45.4	(265.4)
Closing price at the end of the period in CHF	53.95	61.80	76.65	68.75	85.55
Closing price (D) at the end of the period in EUR	43.65	49.40	50.78	45.88	51.35
Closing price (I) at the end of the period in EUR	43.63	49.50	50.30	44.19	51.71
Stock performance (incl. dividend)	0.6%	(15.1%)	14.9%	(18.7%)	(6.8%)
High / low share price in CHF	67.40/43.15	77.05/53.75	78.00/56.65	94.00/59.80	107.00/83.85
High / low share price in EUR	55.00/39.30	52.20/39.88	51.90/38.40	58.80/38.06	64.19/50.31
Premium/(discount) (annual average)	(21.5%)	(25.3%)	(22.8%)	(14.2%)	(7.5%)
Dividend in CHF	N.A.	3.20	3.70	1.80	0.90
Degree of investment (quarterly figures)	111.3%	107.4%	96.9%	110.3%	116.0%
Total Expense Ratio (TER) p.a.	0.84%	0.69%	0.75%	0.83%	1.61%
- of which Performance-related remuneration	0.00%	0.00%	0.00%	0.00%	0.85%



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## Dear shareholders

Investors were faced with major challenges during the third quarter of 2011. Markets became extremely nervous and volatile as the sovereign debt crisis in peripheral European countries escalated and worries about the world economy began to grow. CHF-based investors had to additionally contend with the negative effects of the soaring appreciation of the franc versus the euro and the dollar. The situation on the currency front did not ease until the Swiss National Bank took decisive action in early September.

In this uncertain environment the year to date performance of the non-cyclical biotech industry has held up well despite experiencing a significant correction in the third quarter. Specifically, the Nasdaq Biotechnology Index (NBI) was able to outperform global equity indices while facing a 12.5% correction during the third quarter. Its year-to-date performance of -0.1% is still far better than the corresponding performance of the SMI (-14.1%, in CHF) and the DAX (-20.4%, in EUR). Dendreon disappointed biotech investors when it retracted its 2011 Provenge sales guidance. This announcement negatively impacted the share prices of many other biotech companies that had just recently launched, or were about to launch, new products. Skepticism is likely to prevail for the foreseeable future until investors have a better picture of post-launch sales trends. Looking on the positive side, the markdowns in share prices have created some attractive buying opportunities.

The Net Asset Value (NAV) of BB Biotech AG ended the third quarter 11% lower (in CHF) compared to the second quarter. BB Biotech's share price declined by 15.8% in CHF and 16.7% in EUR during the same period. Although the share price staged a strong recovery towards the end of the reporting period, the quarterly performance did not meet our expectations. This was mainly because of the core investments, Actelion in particular, which lagged the overall sector, and because of a widening of the discount. At the end of the quarter, the discount had risen to 20.0%. The occasional fluctuations in the discount seen during the course of the third quarter were caused by general market turmoil. BB Biotech AG remains committed to its goal of achieving a sustained reduction in the discount from the current level, and will work to bring the discount down to a range of 10 to 15% over the next 12 months. A total of 628 669 shares were repurchased via the second line of trading during the third quarter with this goal in mind. The strategy of earnings accretion will continue to be pursued after the current share buyback program is completed.

Several adjustments were made to the portfolio in the third quarter. Core investments in Actelion, Vertex, Celgene, and Gilead were further reduced while investments in small and mid-cap companies were increased. Previously, the core investments had a portfolio weighting of more than 80%. At the beginning of the year this had been reduced to 70%, and it now stands at approximately 55%. There are still many promising opportunities in the small and mid-cap segment and they will be reflected in the future portfolio structure.

Two new positions were established in Pharmasset and Endocyte. The latter position was executed through a capital increase. In offsetting transactions, the positions in Affymetrix and Cosmo were closed, while profits were taken in Optimer and Idenix. Investments in emerging market companies were increased by buying more shares of Glenmark Pharmaceuticals, Lupin, and Strides Arcolab.

### Portfolio performance and valuation in the third quarter of 2011

**Celgene** (+2.6%, in USD) was able to eliminate most of the uncertainty regarding Revlimid's side-effect profile, as we had expected. After its review of Revlimid, the European Medicines Agency (EMA) issued a positive opinion of the drug's safety and efficacy in multiple myeloma (blood cancer). In the coming months investor focus will shift from Revlimid's sales numbers to news about its approval for use in newly diagnosed multiple myeloma patients. This label

extension would mark a major milestone in the company's efforts to secure the long-term sales potential of its key product. Celgene remains, in our opinion, one of the best-positioned companies in the biotechnology sector.

**Actelion** (–26.8%, in CHF) continued to correct during the reporting period. Skepticism regarding the company's mid- to long-term outlook increased once again after speculation of a takeover subsided. Results of a major multiyear study with Macitentan, Tracleer's potential successor, will be announced in the first half of 2012. Actelion needs to report positive data to defend its market leadership, and extend its patent protection through the mid 2020. We believe its shares are significantly undervalued at the current prices.

**Vertex** (–14.5%, in USD) consolidated in the third quarter after its good first-half performance, despite having staged a highly successful product launch. Incivek, approved for the treatment of hepatitis C patients, is currently the preferred product as it is being prescribed roughly four times more frequently than Merck's competing product. The sales generated during the first few months after its successful launch suggest that annual sales volumes will easily surpass the one billion dollar mark. We will continue to monitor the progress of other drugs being developed by competitors as these will have a decisive impact on Incivek's future market potential.

Among BB Biotech's smaller participations, the following news deserves special mention:

- **Optimer** (+16.4%, in USD) reached a major milestone after receiving US regulatory approval for Difucid, an antibacterial diarrhea treatment, and introducing its drug to the market. A positive opinion was also issued by the European regulatory authorities so Optimer should start to collect substantial milestone payments from Astellas in the coming months under the terms of their distribution agreement for Difucid.
- **Biomarin** (+17.1%, in USD) improved its operating performance and attracted greater investor interest in its orphan drug pipeline.
- **Immunogen** (–10.1%, in USD) published impressive results for T-DM1 as a first-line treatment for metastatic breast cancer. In a comparison with Herceptin and Docetaxel (chemotherapy) T-DM1 achieved superior results and had a better side effect profile. In 2012 its development partner Roche will release the initial results of an ongoing Phase III trial.
- **Dendreon** (–77.2%, in USD) withdrew its 2011 sales forecast for Provenge in August. This disappointing announcement had a negative impact not only on Dendreon but also on many other biotech companies that have just recently launched, or are about to launch, new products.

Two new companies were added to the portfolio during the course of the third quarter:

- **Pharmasset** (+46.8%, in USD) develops nucleotide analogs for the treatment of HCV patients. The very promising clinical data seen thus far indicate that Pharmasset's PSI-7977 molecule could be one of the core components of future combination therapy for the treatment of Hepatitis C patients.
- **Endocyte** (–26.0%, in USD) is a company focused on personalized medicine developing targeted therapies, and corresponding biomarkers, for the treatment of cancer and inflammatory diseases. The company has a technology platform that attaches potent chemotherapeutic drugs to targeting ligands which are then delivered directly to tumor cells. It has released promising Phase II clinical data on EC145 in the treatment of ovarian cancer.

### Outlook and positioning


The reallocation of portfolio assets from large-cap companies to small and mid-sized companies will continue. In view of the general market uncertainty this will be a gradual process. Liquidity and sound finances are currently important criteria for investors in today's nervous environment. We therefore expect that there will be attractive opportunities to build portfolio positions in mid-cap companies through capital increases in the coming months.

As for pipeline developments, key newsflow is expected to be released by Vertex, Pharmasset, Halozyme, Isis, and Incyte. The chances are good that 2011 will be a major product launch year considering the number of approvals already announced.

BB Biotech AG's investment focus will continue to be on innovative drugs with strong value propositions for its portfolio investments, the targeted patient populations, and for payers (i.e. health insurance companies) in this price sensitive environment. Innovative drugs increase efficiency in the healthcare system by allowing patients to resume their normal daily activities more quickly and they also reduce the cost of follow-up treatment. The innovative strength of the biotechnology industry has been demonstrated by the evident success of numerous major product approvals. These products, which are set to become first-line therapies, will generate high sales and profits during the coming years. BB Biotech AG's positive view of the biotech market's prospects rests on this fact and is also reflected in its consistent investment strategy and investment level of more than 100%.

We thank you for your ongoing support.

The Board of Directors of BB Biotech AG



Prof. Dr med Thomas Szucs, Chairman



Dr Clive Meanwell



Dr Erich Hunziker



BB Biotech's objective is to generate an average return of 15% per annum with a long-term investment horizon and to substantially outperform the relevant indices in the process.

BB Biotech participates selectively in firms operating in the growth market of innovative medications and diagnostics based on modern biotechnology, with companies listed in the stock markets accounting for at least 90% of the portfolio value. Selective investments are also made in emerging markets.

Our task is to have an in-depth knowledge of business conducted by our holdings, i.e. in addition to purely key financial ratios, we also analyse the competitive environment, the innovation pipeline, the portfolio of patents and the perception of products and services by end-customers, to name but a few further aspects.

The target portfolio of BB Biotech consists of generally 20 to 30 holdings, no more than five of which account for more than 10% of equity and the largest of which should not exceed 25%. In the process, BB Biotech deliberately declines to choose a portfolio structure of statistical relevance as we attach importance to the depth of sector and company expertise and seek personal access to the management of our equity interests.

In the course of selecting its holdings, BB Biotech relies on the well established experience of its Board of Directors and the fundamental analyses by the experienced management team of Bellevue Asset Management Group, with access to a network of physicians and specialists for the sectors in question. In doing so, a detailed financial model is created for each holding, which guarantees a compelling illustration of the potential for doubling asset values in a period of four years. This potential is based on the power for innovation, new products for serious or significant illnesses and outstanding management.

Before making a positive investment decision, intensive contact is established with the target company's management, since we are convinced that an outstanding performance can only be achieved with a strong management. After being incorporated into BB Biotech's portfolio, intense personal contact with members of the management of the relevant holdings is maintained and extended.

This closely knit monitoring of the portfolio companies enables BB Biotech to utilize all strategic options on a timely basis, including the early disposal of an equity interest when the fundamental situation deteriorates significantly.

### Participations as at September 30, 2011

Company	Number of securities	Change since 12/31/2010	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Celgene	3 100 000	(1 132 039)	USD	61.91	173.8	16.9%	18.8%	0.7%
Actelion	4 250 000	(692 443)	CHF	30.30	128.8	12.5%	13.9%	3.3%
Vertex Pharmaceuticals	2 724 653	(2 292 755)	USD	44.46	109.7	10.7%	11.8%	1.3%
Gilead	2 600 000	(2 914 768)	USD	38.80	91.3	8.9%	9.9%	0.3%
Novo Nordisk	691 056	(149 450)	DKK	556.00	62.7	6.1%	6.8%	0.2%
Incyte	4 665 000	665 000	USD	13.97	59.0	5.7%	6.4%	3.7%
Immunogen	4 000 000	75 222	USD	10.96	39.7	3.9%	4.3%	5.2%
Isis Pharmaceuticals	5 600 000	3 810 238	USD	6.78	34.4	3.3%	3.7%	5.6%
Pharmasset <sup>1)</sup>	397 650	397 650	USD	82.37	29.7	2.9%	3.2%	0.5%
Micromet	6 681 397	187 154	USD	4.80	29.0	2.8%	3.1%	7.3%
Biomarin Pharmaceutical	975 545	12 962	USD	31.87	28.2	2.7%	3.0%	0.9%
Halozyme Therapeutics	5 000 000	995 242	USD	6.14	27.8	2.7%	3.0%	4.8%
Alexion Pharmaceuticals <sup>2)</sup>	450 000	125 000	USD	64.06	26.1	2.5%	2.8%	0.2%
Amylin Pharmaceuticals	2 388 139	490 884	USD	9.23	20.0	1.9%	2.2%	1.6%
Optimer Pharmaceuticals	1 442 700	(605 303)	USD	13.84	18.1	1.8%	2.0%	3.1%
Human Genome Sciences	1 571 056	1 571 056	USD	12.69	18.1	1.8%	2.0%	0.8%
Theravance	843 244	843 244	USD	20.14	15.4	1.5%	1.7%	1.0%
Amgen	300 000	(200 000)	USD	54.96	14.9	1.4%	1.6%	<0.1%
Swedish Orphan Biovitrum	6 720 399	6 720 399	SEK	16.40	14.6	1.4%	1.6%	2.5%
Dendreon	1 524 500	1 524 500	USD	9.00	12.4	1.2%	1.3%	1.0%
Bavarian Nordic	1 710 346	1 188 436	DKK	40.10	11.2	1.1%	1.2%	6.6%
Idenix Pharmaceuticals	2 482 308	634 039	USD	4.99	11.2	1.1%	1.2%	2.6%
Glenmark Pharmaceuticals	1 773 307	1 773 307	INR	321.80	10.6	1.0%	1.1%	0.7%
Lupin	1 198 605	1 198 605	INR	472.95	10.5	1.0%	1.1%	0.3%
Achillion Pharmaceuticals	2 015 840	2 015 840	USD	4.72	8.6	0.8%	0.9%	2.9%
Strides Arcolab	638 406	638 406	INR	353.35	4.2	0.4%	0.5%	1.1%
Endocyte	307 510	307 510	USD	10.60	3.0	0.3%	0.3%	0.9%
Probiodrug <sup>3)</sup>	4 275 093	2 416 357	EUR	2.69	14.0	1.4%	1.5%	
Radius Health <sup>3)</sup>	40 940	40 940	USD	81.42	3.0	0.3%	0.3%	2.6%
<b>Derivative instruments</b>								
SWAP agreement on treasury shares	1	–	CHF	0.00	<0.1	<0.1%	<0.1%	
Novo Nordisk call option (short)	(100 000)	(100 000)	DKK	0.00	<(0.1)	<(0.1%)	<(0.1%)	
Novo Nordisk put option (short)	(50 000)	(50 000)	DKK	1.24	<(0.1)	<(0.1%)	<(0.1%)	
Celgene call option (short)	(142 400)	(142 400)	USD	1.27	(0.2)	<(0.1%)	<(0.1%)	
Actelion put option (short)	(100 000)	(100 000)	CHF	3.08	(0.3)	<(0.1%)	<(0.1%)	
<b>Total securities</b>					<b>1 029.3</b>	<b>100.0%</b>	<b>111.1%</b>	
<b>Other assets</b>					<b>22.4</b>		<b>2.4%</b>	
<b>Other payables</b>					<b>(125.3)</b>		<b>(13.5%)</b>	
<b>Net asset value</b>					<b>926.4</b>		<b>100.0%</b>	
BB Biotech registered shares <sup>4)</sup>	2 653 873	(331 124)			142.4			16.2%

1) Share split 2:1 as at September 1, 2011

2) Share split 2:1 as at May 23, 2011

3) Unlisted company

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

Exchange rates as at 09/30/2011:

USD / CHF: 0.90545; DKK / CHF: 16.32780; INR / CHF: 0.01850; EUR / CHF: 1.21495; SEK / CHF: 13.26080

**Consolidated balance sheet**  
(in CHF 1 000)

Assets	Notes	09/30/2011	12/31/2010	Liabilities and shareholders' equity	Notes	09/30/2011	12/31/2010
<b>Current assets</b>				<b>Current liabilities</b>			
Liquid funds		15 224	23 477	Short-term borrowings from banks	5	120 000	140 000
Receivables from brokers		3 699	18 672	Payables to brokers		4 317	1 365
Securities at fair value through profit or loss	4	1 029 761	1 327 312	Securities at fair value through profit or loss	4	483	20
Other assets		3 446	5 445	Other short-term liabilities		860	666
		<b>1 052 130</b>	<b>1 374 906</b>	Tax accrual		91	98
						<b>125 751</b>	<b>142 149</b>
<b>Fixed assets</b>				<b>Shareholders' equity</b>			
Other assets		–	2 073	Share capital	6	16 403	18 225
				Treasury shares	6	(171 588)	(208 026)
				Additional paid-in capital	6	323 821	445 957
				Retained earnings		757 743	978 674
						<b>926 379</b>	<b>1 234 830</b>
<b>Total assets</b>		<b>1 052 130</b>	<b>1 376 979</b>	<b>Total liabilities and shareholders' equity</b>		<b>1 052 130</b>	<b>1 376 979</b>
Net asset value per share in CHF		67.40	81.05				

The notes on pages 12 to 15 are an integral part of these condensed consolidated interim financial statements.

On October 17, 2011, BB Biotech AG's Board of Directors authorised these condensed consolidated interim financial statements for issue.

**Consolidated statement of comprehensive income**  
**for the period ended September 30**  
(in CHF 1 000)

	Notes	01/01/–09/30/2011	01/01/–09/30/2010	07/01/–09/30/2011	07/01/–09/30/2010
<b>Operating income</b>					
Gains from marketable securities	4	–	–	–	38 709
Interest income		10	59	4	5
Dividend income		4 822	1 488	119	–
Foreign exchange gains net		–	–	587	–
Other income		–	22	–	–
		<b>4 832</b>	<b>1 569</b>	<b>710</b>	<b>38 714</b>
<b>Operating expenses</b>					
Losses from marketable securities	4	166 514	201 778	126 152	–
Finance expenses		4 655	4 482	1 562	1 624
Foreign exchange losses net		521	2 120	–	1 734
Administrative expenses	7	3 453	3 708	986	1 146
Other expenses		3 340	2 684	992	647
		<b>178 483</b>	<b>214 772</b>	<b>129 692</b>	<b>5 151</b>
<b>Operating income before tax</b>	<b>8</b>	<b>(173 651)</b>	<b>(213 203)</b>	<b>(128 982)</b>	<b>33 563</b>
Tax expenses		(27)	(58)	(4)	(20)
<b>Net gain/(loss) for the period</b>		<b>(173 678)</b>	<b>(213 261)</b>	<b>(128 986)</b>	<b>33 543</b>
<b>Total comprehensive income for the period</b>		<b>(173 678)</b>	<b>(213 261)</b>	<b>(128 986)</b>	<b>33 543</b>
Loss and diluted loss per share in CHF		(11.86)	(13.39)		
Average outstanding shares		14 645 468	15 928 818		

The notes on pages 12 to 15 are an integral part of these condensed consolidated interim financial statements.

**Consolidated statement of changes in equity**  
**for the period ended September 30**  
(in CHF 1 000)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total
<b>Balances at January 1, 2010</b>	<b>18 225</b>	<b>(137 254)</b>	<b>450 805</b>	<b>1 184 445</b>	<b>1 516 221</b>
Dividend	–	–	–	(59 423)	(59 423)
Trade with treasury shares (incl. balance change)	–	(54 322)	(4 334)	–	(58 656)
Total comprehensive income for the period	–	–	–	(213 261)	(213 261)
<b>Balances at September 30, 2010</b>	<b>18 225</b>	<b>(191 576)</b>	<b>446 471</b>	<b>911 761</b>	<b>1 184 881</b>
<b>Balances at January 1, 2011</b>	<b>18 225</b>	<b>(208 026)</b>	<b>445 957</b>	<b>978 674</b>	<b>1 234 830</b>
Dividend	–	–	–	(47 253)	(47 253)
Capital reduction	(1 822)	121 781	(119 959)	–	–
Trade with treasury shares (incl. balance change)	–	(85 343)	(2 177)	–	(87 520)
Total comprehensive income for the period	–	–	–	(173 678)	(173 678)
<b>Balances at September 30, 2011</b>	<b>16 403</b>	<b>(171 588)</b>	<b>323 821</b>	<b>757 743</b>	<b>926 379</b>

The notes on pages 12 to 15 are an integral part of these condensed consolidated interim financial statements.

**Consolidated statement of cash flow  
for the period ended September 30  
(in CHF 1 000)**

	Notes	01/01/–09/30/2011	01/01/–09/30/2010
<b>Cash flows from operating activities</b>			
Proceeds from sales of securities	4	446 449	260 703
Purchase of securities	4	(298 295)	(248 897)
Dividend receipts		4 822	1 488
Interest receipts		11	58
Interest payments		(583)	(410)
Payments for services		(6 599)	(6 461)
Taxes paid		(34)	(793)
<b>Total cash flows from operating activities</b>		<b>145 771</b>	<b>5 688</b>
<b>Cash flows from financing activities</b>			
Dividend payment		(47 253)	(59 423)
Proceeds from sales of treasury shares and derivatives on treasury shares		17 156	23 601
Purchase of treasury shares and derivatives on treasury shares		(103 406)	(82 234)
Borrowing/(repayment) of loans		(20 000)	140 000
<b>Total cash flows from financing activities</b>		<b>(153 503)</b>	<b>21 944</b>
Foreign exchange difference		(521)	(2 120)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(8 253)</b>	<b>25 512</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>23 477</b>	<b>44 436</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>15 224</b>	<b>69 948</b>
Liquid funds		15 224	69 948
<b>Cash and cash equivalents at the end of the period</b>		<b>15 224</b>	<b>69 948</b>

The notes on pages 12 to 15 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, Vordergasse 3. Its principal activity is to invest in companies active in the biotechnology industry. The investments are held through its wholly owned subsidiaries.

Company	Capital in CHF 1 000	Interest in capital in %
Biotech Focus N.V., Curaçao	11	100
Biotech Invest N.V., Curaçao	11	100
Biotech Target N.V., Curaçao	11	100
Biotech Growth N.V., Curaçao	11	100
Kemnay Investment Fund Ltd., Mauritius	N.A.	100

The Kemnay Investment Fund Ltd. has been funded by Biotech Invest N.V. for investments in India. The fund has been fully consolidated since April 5, 2011.

## 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, 2010. 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, except for accounting policy changes made after the date of the annual consolidated financial statements.

The following new or revised standards and interpretations, valid since January 1, 2011, have been applied in these condensed consolidated interim financial statements:

- IFRS 1 (amended, effective July 1, 2010) – First-time adoption of IFRS
- IAS 24 (amended, effective January 1, 2011) – Related party transactions
- IAS 32 (amended, effective February 1, 2010) – Classification of rights issues
- IAS improvements 2010 (various amendments, effective January 1, 2011)
- IFRIC 14 (effective January 1, 2011) – Prepayments of a minimum funding requirement
- IFRIC 19 (effective July 1, 2010) – Debt for equity swaps

There are no effects and changes in the accounting policies due to the adoption of above mentioned new or revised standards and interpretations.

The following new or revised standards, interpretations and amendments to published standards were approved, but will only be applicable for the Group on or after January 1, 2012, and were not early adopted in these condensed consolidated interim financial statements:

- IFRS 1 (amended, effective July 1, 2011) – Exemption for severe hyperinflation and removal of fixed assets
- IFRS 7 (amended, effective July 1, 2011) – Financial instruments – disclosure
- IFRS 9 (effective January 1, 2013) – Financial instruments – classification and measurement
- IFRS 10 (effective January 1, 2013) – Consolidated financial statements
- IFRS 11 (effective January 1, 2013) – Joint arrangements
- IFRS 12 (effective January 1, 2013) – Disclosure of interest in other entities
- IFRS 13 (effective January 1, 2013) – Fair value measurement
- IAS 1 (amended, effective January 1, 2012) – Presentation of financial statements – Presentation of items in other comprehensive income («OCI»)
- IAS 12 (amended, effective January 1, 2012) – Deferred tax accounting for investment property at fair value
- IAS 19 (amended, effective January 1, 2013) – Employee benefits – Recognition and measurement

The Group assessed the impact of the above mentioned new or revised standards and interpretations and concluded that there are no substantial effects and changes in the accounting policies due to the adoption of the standards and interpretations.

### 3. Financial risk management

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.

### 4. Securities

A detailed breakdown of the securities held on September 30, 2011, can be found on page 7.

#### Change in value by investment category from January 1, 2011 to September 30, 2011

(incl. securities short, in CHF 1 000)

	Listed shares	Derivative instruments	Unlisted shares	Total
<b>Opening balance as at 01/01/2011 at fair values</b>	<b>1 320 881</b>	<b>163</b>	<b>6 248</b>	<b>1 327 292</b>
Purchases	288 709	–	11 267	299 976
Sales	(429 679)	(1 796)	–	(431 475)
Reclassification <sup>1)</sup>	174	(174)	–	–
Realized gains	39 230	1 030	–	40 260
Realized losses	(21 789)	(9)	–	(21 798)
Unrealized gains	59 186	408	43	59 637
Unrealized losses	(243 942)	(103)	(568)	(244 613)
Net gains/(losses) from securities	(167 140)	1 151	(525)	(166 514)
<b>Closing balance as at 09/30/2011 at fair values</b>	<b>1 012 771</b>	<b>(483)</b>	<b>16 990</b>	<b>1 029 278</b>

1) Exercise 102 525 put options Cosmo Pharmaceuticals, CHF 21, 12/31/2011, 1:1

### 5. Short-term borrowings from banks

At September 30, 2011, CHF 120 mn short-term loans are claimed, CHF 115 mn at 0.45% p. a. and CHF 5 mn at 0.50% p.a. (December 31, 2010: CHF 140 mn, CHF 115 mn at 0.60% p.a. and CHF 25 mn at 0.63% p.a.).

## 6. Shareholders' equity

The share capital of the Company consists of 16.40 mn fully paid registered shares (December 31, 2010: 18.23 mn) with a par value of CHF 1 each (December 31, 2010: CHF 1).

At the General Shareholders' Meeting held March 21, 2011, a resolution was approved to reduce the Company's share capital by CHF 1 822 500 to a level of CHF 16 402 500. On July 25, 2011, 1 822 500 registered shares at a par value of CHF 1 822 500 were withdrawn from the commercial register; the capital reduction has thus been concluded.

Since the Company's treasury shares are already deducted from shareholders' equity at the time of redemption in accordance with the International Financial Reporting Standards (IFRS), the capital reduction will have no impact whatsoever on the net asset value of the Group.

From January 1, 2011, through September 30, 2011, 1 752 546 shares were purchased at an average price of CHF 59.73 and 261 170 shares were sold at an average price of CHF 65.69.

As at September 30, 2011, there exists no authorised capital (December 31, 2010: CHF 9.1 mn) and a conditional capital of CHF 8.2 mn (December 31, 2010: CHF 9.1 mn). The conditional capital consists of a tranche of CHF 4.1 mn in order to the exercise of option bond rights and a tranche of CHF 4.1 mn in order to the exercise of convertible and option bond rights granted in the past or in future in connection with bond obligations or other financial market instruments of the Company.

## 7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01/01–09/30/2011	01/01–09/30/2010
<b>Fund manager</b>		
– Fixed fees portion	3 124	3 354
<b>Board of Directors remuneration</b>		
– Fixed fees portion	312	336
– Social security employer's contribution	17	18
	<b>3 453</b>	<b>3 708</b>

The remuneration model of BB Biotech AG ensures that the interests of the shareholders, the asset manager and the Board of Directors are all the same. Remuneration therefore depends on the share price and is made up of a flat fee component and a performance-related fee component. The Board of Directors receives remuneration in an amount of 10% of the remuneration of the fees paid to the asset manager.

For the end of the next quarter (December 31, 2011) the hurdle rates for payment of a performance-related fee will be as follows:

- 70.1% of the shares: CHF 116.67
- 14.4% of the shares: CHF 119.43
- 3.6% of the shares: CHF 124.03
- 6.1% of the shares: CHF 278.70
- 5.8% of the shares: CHF 287.26

On March 21, 2011, a resolution was passed at the General Shareholders' Meeting to pay out a dividend of CHF 3.20 per registered share; the payout in question was made on March 28, 2011. Subsequently, the levels at which performance-related compensation is to be paid were also adjusted downward by CHF 3.20 as at March 23, 2011.

## 8. Segment information

(in CHF 1 000)

The Group has one business segment only, namely the holding of investments in companies active in the biotechnology industry. The geographical analysis of operating income before tax is as follows:

Operating income before tax	01/01/–09/30/2011	01/01/–09/30/2010
India	(123)	–
Italy	(288)	(59)
Germany	(990)	(2 872)
Austria	(1 579)	(8 882)
Curaçao	(3 960)	(4 390)
Great Britain	(4 073)	(4 196)
Sweden	(9 186)	–
USA	(27 349)	(106 593)
Denmark	(33 282)	29 810
Switzerland	(92 821)	(109 727)
Australia	–	(37)
Ireland	–	(1 649)
France	–	(4 608)
	<b>(173 651)</b>	<b>(213 203)</b>

## 9. Assets pledged

The securities are a collateral for credit lines of CHF 350 mn (December 31, 2010: CHF 350 mn). At September 30, 2011, the Group has claimed credits of CHF 120 mn (December 31, 2010: CHF 140 mn).

## 10. Commitments, contingencies and other off-balance sheet transactions

The Group had no commitments or other off-balance sheet transactions open at September 30, 2011 (December 31, 2010: none) other than two payments of USD 3.33 mn (Total USD 6.67 mn) to Radius Health Inc. for the purchase of additional 81 880 shares of the company at a price of USD 81.42 per share.

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. Management concludes that as at September 30, 2011, no proceedings existed which could have any effect on the financial position of the Group (December 31, 2010: none).

## 11. Significant shareholders

The Board of Directors is aware of the following major shareholder with a holding exceeding 5% of all votes as at September 30, 2011: The Bank of New York Mellon Corporation, New York, USA.

## 12. Subsequent events

There have been no events subsequent to September 30, 2011, which would affect the condensed consolidated interim financial statements.



Report on the Review of the  
condensed consolidated interim financial information  
to the Board of Directors of  
BB Biotech AG  
Schaffhausen

*Introduction*

We have reviewed the accompanying condensed consolidated interim financial information (balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flow and selected explanatory notes, pages 8 to 15) of BB Biotech AG for the period ended September 30, 2011. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information 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 information 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 information is not 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

Adrian Keller  
Audit expert  
Auditor in charge

Carolin Feindor  
Audit expert

Zurich, October 18, 2011

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**Board of Directors and shareholdings of the Board of Directors**

- Prof. Dr med Thomas Szucs (2003), Chairman (2004), Switzerland  
1 650 shares (ditto as at June 30, 2011)
- Dr Clive Meanwell (2004), Vice Chairman (2011), USA  
no shares (ditto as at June 30, 2011)
- Dr Erich Hunziker (2011), Switzerland  
no shares (ditto as at June 30, 2011).
- Prof. Dr David Baltimore (1993), USA, until March 21, 2011

**Asset Management**

The Bellevue Asset Management Group has the mandate for fundamental analysis, portfolio management, marketing and administration of BB Biotech.

**Change of the dividend policy**

For the business years 2003 to 2010 a dividend was paid out which was linked to the discount of the share price to the net asset value. The Board of Directors has decided not to pay out dividends in the future anymore.

**Auditors**

PricewaterhouseCoopers AG, Zurich

A detailed Corporate Governance report is published in the annual report.



## Company profile

BB Biotech 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 relies on fundamental analysis by physicians and molecular biologists. The Board of Directors has many years of industrial and scientific experience.

## Official listing and share structure as at September 30, 2011

<b>Foundation:</b>	November 9, 1993; Schaffhausen, Switzerland
<b>Issue price adj. November 15, 1993:</b>	CHF 23.76
<b>Official listing:</b>	December 27, 1993 in Switzerland, December 10, 1997 in Germany, October 19, 2000 in Italy
<b>Share structure:</b>	CHF 16.40 mn nominal, 16 402 500 registered shares with a par value of CHF 1
<b>Conditional capital:</b>	CHF 8.2 mn
<b>Shareholders, free float:</b>	Institutional and private investors, 86.6% free float (1 investor >5%, 7.5% treasury shares held on the second trading line)
<b>Security number Switzerland:</b>	3 838 999
<b>Security number in Germany and Italy:</b>	A0NFN3
<b>ISIN:</b>	CH0038389992

## Shareholder information

The Company publishes its net asset value daily via the major stock market information services and on its website [www.bbbiotech.com](http://www.bbbiotech.com). The portfolio composition is published at least every three months within quarterly reports. In its monthly news, BB Biotech announces major events relating to its investments. In addition, we periodically hold information events for shareholders and interested members of the public. Interested? Subscribe to our mailing list by post/fax/telephone or via [www.bbbiotech.com](http://www.bbbiotech.com).

## Quotes and reports

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

## Corporate calendar 2012

### Press Release Portfolio as at December 31, 2011:

January 26, 2012, 7.30 AM CET

### Annual Report as at December 31, 2011:

February 23, 2012, 7.30 AM CET

### Annual Shareholder Meeting 2012:

March 19, 2012, 4.00 PM CET

### Interim Report as at March 31, 2012:

April 19, 2012, 7.30 AM CET

### Interim Report as at June 30, 2012:

July 19, 2012, 7.30 AM CET

### Interim Report as at September 30, 2012:

October 18, 2012, 7.30 AM CET

## Investor Relations



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