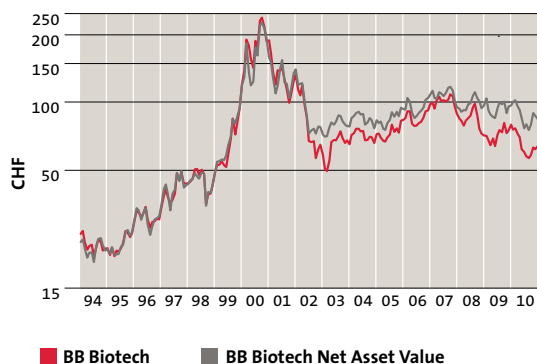


Annual Report 2010

SHARE PRICE TREND SINCE FOUNDATION



Source: Datastream, 12/31/2010

PORTFOLIO BY SECTORS AS AT 12/31/2010

rounded values

Oncology	32%
Infectious diseases	30%
Cardiovascular diseases	19%
Metabolic diseases	10%
Autoimmune diseases	2%
Others	7%

PERFORMANCE (adjusted for dividends)

As at 12/31/2010	1Y	3Y	5Y	11/15/1993
Switzerland	-15%	-21%	-12%	+220%
Germany	+3%	+6%	+10%	N.A.
Italy	+4%	+5%	+10%	N.A.

MULTI-YEAR COMPARISON BB BIOTECH

	2010	2009	2008	2007	2006
Market capitalization at the end of the year (in CHF mn)	1 126.3	1 396.9	1 392.2	1 924.9	2 241.8
Net Asset Value at the end of the year (in CHF mn)	1 234.8	1 516.2	1 504.8	1 767.2	2 252.9
Number of shares (in mn)	18.2	18.2	20.3	22.5	23.9
Trading volume (in CHF mn p.a.)	968.1	797.0	1 640.4	3 326.8	1 972.2
Profit/(loss) (in CHF mn)	(146.3)	36.6	45.4	(265.4)	297.4
Closing price at the end of the year in CHF	61.80	76.65	68.75	85.55	93.80
Closing price (D) at the end of the year in EUR	49.40	50.78	45.88	51.35	57.73
Closing price (I) at the end of the year in EUR	49.50	50.30	44.19	51.71	57.64
Stock performance (incl. dividend)	(15.1%)	14.9%	(18.7%)	(6.8%)	19.1%
High/low share price in CHF	77.05/53.75	78.00/56.65	94.00/59.80	107.00/83.85	93.80/71.20
High/low share price in EUR	52.20/39.88	51.90/38.40	58.80/38.06	64.19/50.31	58.00/45.71
Premium/(discount) (annual average)	(25.3%)	(22.8%)	(14.2%)	(7.5%)	(10.3%)
Dividend in CHF (*proposal)	3.20*	3.70	1.80	0.90	2.00
Degree of investment (quarterly figures)	107.4%	96.9%	110.3%	116.0%	110.8%
Total Expense Ratio (TER) p.a.	0.69%	0.75%	0.83%	1.61%	0.71%
– of which performance-related remuneration	0.00%	0.00%	0.00%	0.85%	0.00%

Five good reasons

- Fast growing market thanks to innovative drugs with considerable margin potential
- Attractive valuations, high M&A activity as pharmaceutical companies respond to patent losses
- BB Biotech – a pioneer in managing biotechnology portfolios for 18 years
- Managed by recognized specialists in the fields of biochemistry, microbiology and economics
- Stellar track record – sustained outperformance of benchmark indices

An investment opportunity for you

Many severe illnesses such as hepatitis C or certain types of cancer are presently inadequately or still completely untreatable. Progress in treatment and cures are anticipated in many fields and many of these advancements will come in the form of innovative biotech products that directly target a disease process in an attempt to inhibit it, or to stop it altogether. This contrasts with the conventional approach using chemical-based drugs, which are more likely to focus on treating the symptoms of a disease. We expect biotechnology to achieve more major breakthroughs in key areas such as hepatitis C, Alzheimer's, cancer, and diabetes. In addition, large established pharmaceutical companies are resorting to acquisitions in an attempt to keep their pipelines filled as older drugs come off patent. Innovation and the more rapid pace of M&A activity make the biotechnology sector an attractive, fast-growing sector for investors.

Our investment skills

A combination of scientific, medical and financial expertise is needed to achieve successful investment results in the biotech sector. The development period of new products carries substantial risks that are virtually impossible for lay people to evaluate. Constant scrutiny of one's own reasoning, constant effort to close any and all information gaps and astute observation of new developments are the key challenges. BB Biotech and Bellevue Asset Management Group, which has been entrusted with the management of BB Biotech's portfolio since the company was founded in 1993, are among the market leaders in Europe, having collected more than 18 years of experience in managing biotech portfolios. The investment specialists managing BB Biotech's portfolio are experts in fields ranging from biochemistry, molecular biology and physics to economics and medicine. They are supported in their daily work by a highly reputable Board of Directors.

BB Biotech – prime address for investing in biotech

Biotechnology presents a challenging environment yet also a wealth of opportunities. BB Biotech concentrates its investments on fast growing and profitable biotech companies listed on stock markets worldwide. Most of the companies it invests in have been successful in bringing innovative products to the market or are testing promising drug candidates in Phase III trials. BB Biotech also holds interests in smaller biotech companies, providing them with the necessary capital to pursue their research projects.

BB Biotech offers an attractive vehicle to participate in this high growth sector!

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Dear Shareholders

Last year was a particularly challenging year for healthcare investors and, thus, for BB Biotech AG as well. Market activity was often dominated by healthcare policy issues while the actual company fundamentals were pushed aside. Healthcare reform in the USA and cost-cutting efforts by European policymakers clearly had an impact on investor sentiment during the first half of 2010 and were a source of general uncertainty. Investors had a better sense of the impact these factors would have on healthcare companies as the year drew on and a more realistic and objective evaluation of the situation began to take hold in the latter half of 2010. Furthermore, a series of acquisitions with hefty takeover premiums opened investors' eyes to the fact that biotech valuations had dropped to historical lows. Share prices recovered then, primarily in the small and mid-cap segments. Large-cap biotech stocks lagged their smaller peers mainly because of the uncertainty about the economy mentioned above. Against this backdrop, the Nasdaq Biotechnology Index initially retreated but ended the year with a gain of +15.0% (in USD). BB Biotech shares did not benefit from the positive trend until the end of the year. Compared to the closing price from the previous year, BB Biotech AG shares ended 2010 with a performance of -15.1% in CHF (adjusted for dividends) and +2.5% in EUR (adjusted for dividends). Net Asset Value rose by 8.2% in EUR and declined by -8.7% in CHF due to negative exchange-rate movements. The fourth quarter brought a turnaround both for the sector and for BB Biotech AG. The Nasdaq Biotechnology Index rose by +8.4% during the fourth quarter (in USD). BB Biotech AG made stronger gains on the wings of the general uptrend, ending Q4 with an +11.6% sequential increase (in USD) in Net Asset Value. Its share price rose +9.6% in CHF and +15.6% in EUR during the same period.



Portfolio diversification enhanced with highly innovative companies

A number of promising positions in attractively valued companies were taken in 2010: Amylin is working on a promising treatment for Type 2 diabetes called Bydureon. Isis has an interesting platform technology for creating RNA-based drugs. Bavarian Nordic is developing a therapeutic vaccine for advanced prostate cancer. Intercell has developed a promising patch-based delivery technology that could play a key role for potential preventive vaccines. Immunogen is proceeding with a promising treatment for refractory breast cancer patients. Biomarin is developing and marketing drugs for treating rare genetic diseases. Alexion has a product to treat paroxysmal nocturnal hemoglobinuria (PNH), a rare and life-threatening blood disorder. Halozyme has developed a technology platform for easier and better delivery of protein and peptide-based drugs. Idenix has several product candidates for treating hepatitis C virus (HCV).

BB Biotech participated in the capital increases announced by Micromet, Bavarian Nordic, Immunogen, Optimer and Halozyme to facilitate their financing of future clinical trials. Among the smaller positions, Arena, Roche, Epigenomics, Clinuvel, Biogen Idec, Nicox, Keryx and Elan were closed out while the positions in Novo Nordisk and Incyte were increased. The position in Zymogenetics was closed in the third quarter in conjunction with the takeover offer from Bristol-Myers Squibb. Taking into account the reduction in the core portfolio holdings, above all in Actelion, yet also in Gilead and Vertex, there was a slight increase in investable funds to 107.5%.

BB Biotech AG continued its share buyback program during the fourth quarter of 2010 and repurchased 876 736 shares through a second line of trading. About three-quarters of the authorized share buyback program has now been executed.

David Baltimore, Thomas Szucs, Clive Meanwell



In accordance with BB Biotech AG's previous dividend policy, a dividend commensurate with the discount between the share price and NAV per share will be paid out. Therefore, the Board of Directors of BB Biotech AG will propose a dividend of CHF 3.20 per share at the 2011 general meeting of shareholders.

Portfolio development and valuation

Actelion shares (–7.3%, in CHF) recovered as the year drew to a close, having suffered a series of disappointments in its development pipeline during the preceding months. This included a negative trial outcome with Bosentan in pulmonary fibrosis and the announcement that a clinical trial with Clazosentan for the treatment of cerebral vasospasm after aneurysmal subarachnoid hemorrhage had failed to meet the primary endpoint. The stock's very attractive valuation eventually triggered some takeover speculation in the second half of the year and ushered in the initial recovery.

Celgene (+6.2%, in USD) continued to deliver a convincing sales and earnings performance. The positive clinical data presented at this year's ASH Congress (American Society of Hematology) did not persuade the general market that Revlimid has additional sales potential, however; management was unable to dispel overblown concerns about potential side effects (secondary tumors) observed in ongoing trials.

Gilead (–16.4%, in USD) was unable to convince investors about the viability of its strategy of buying out smaller biotechnology companies. The market has long been worried about the outlook for Gilead after Viread comes off patent in 2018.

Vertex (–18.3%, in USD) was able to clearly define the clinical profile of Telaprevir for the treatment of hepatitis C patients during the course of 2010. At this year's AASLD Conference (American Association for the Study of Liver Diseases) the company presented clinical results that were better than the rival product Boceprevir. Having been accepted for expedited review by regulatory authorities, Vertex should be able to launch its hepatitis C drug in the second half of 2011.

Novo Nordisk (+89.5%, in DKK) is methodically moving forward with its very successful roll-out of Victoza. It also presented initial, highly promising clinical results for Degludec (long-lasting insulin analog). Degludec could become a major growth driver for the company after its prospective launch in 2013.

As for the smaller and mid-sized holdings in the portfolio, attention is drawn to the following pipeline developments:

- **Incyte** (+81.8% in USD) reported positive Phase III data for its JAK 1/2 inhibitor for the treatment of myelofibrosis, a blood cancer. Both the reduction in spleen volume and the improvement in other symptoms associated with myelofibrosis were statistically significant.
- **Immunogen** (+17.8% in USD) shares were marked up after its development partner Roche released further positive trial data on TDM-1, an "armed antibody" designed to block HER2.
- **Micromet** (+21.9% in USD) successfully completed a second capital increase and now has sufficient capital reserves to finance the Phase III trial for its MT103 bispecific antibody that targets CD19 expressing cells. Moreover, promising clinical data for MT103 in ALL (Acute Lymphoblastic Leukemia) and NHL (Non-Hodgkin's Lymphoma) was published.

Outlook and positioning – Biotechnology a driver of innovation within the healthcare industry

Emerging markets are becoming more important since a considerable share of corporate sales and profit growth is now being generated in these countries. The need to modernize healthcare systems in these countries is generating strong momentum and this business trend will be sustained in the years to come.

We expect drug prices in industrialized countries to remain under pressure. Healthcare reform in the US and efforts to lower drug prices in Europe are expected to reduce top-line sales of healthcare companies by approx. 2–4% in 2011. However, this effect has already been factored into the earnings guidance given by most companies. Pressure on healthcare spending will ease in the medium term as patents on blockbuster drugs in the pharmaceutical industry expire, leading to lower costs. These developments will also open the door for new and innovative drugs in the years ahead.

We are expecting considerable news flow from clinical trials and regulatory decisions affecting the companies in our portfolio in 2011:

- Vertex could receive regulatory approval for Telaprevir in the USA and Europe and proceed with the first market launches of this product candidate in the second half of 2011. Further clinical data on the combination study of Telaprevir and VX-222 should confirm Telaprevir's long-term market potential.
- Actelion will present important clinical data in 2011. The success of Macitentan, a possible successor to Tracleer, will be instrumental in assessing whether Actelion can maintain its dominant position in PAH (pulmonary hypertension). Further clinical results for S1P1 will be released. This will enable a better assessment of its market potential, which, in turn, will be critical for securing lucrative licensing deals.
- Clinical data for the GLP-1 class of drugs for treating Type 2 diabetes as well as market growth rates for incretin-based therapies will have a major impact on both Novo Nordisk and Amylin.
- Gilead is expecting its Truvada and TMC278 combination tablet for the treatment of HIV to be approved by regulatory authorities. Further clinical data will be expected for Gilead's integrase inhibitor Elvitegravir that should sharpen the profile for a so-called quad tablet, a combination of four medicines for the treatment of HIV infection.
- Celgene's Revlimid should receive regulatory approval in the USA and the EU as a first-line therapy for multiple myeloma (bone marrow cancer). We also expect further clinical data for Revlimid to dispel current worries regarding secondary tumors.
- Incyte will present data from its Phase III trial in myelofibrosis currently being conducted in Europe.

We are confident that the more optimistic sentiment in the USA and Asia towards the biotechnology sector will eventually spread to Europe. The rewards for developing innovative drugs are still very enticing and biotechnology will continue to function as the engine of innovation for the healthcare sector.

Prof. Dr. David Baltimore stepping down after 17 years on the Board of Directors

Prof. Dr. David Baltimore is resigning from the Board of Directors on the date of the next general meeting, scheduled for March 21, 2011, citing reasons of age. He has held a seat on the board of BB Biotech ever since the company was founded in 1993 and he currently serves as Vice Chairman. The Board of Directors thanks David Baltimore for his great dedication and extraordinary services on behalf of the company over the past 17 years. He has made an invaluable contribution to the successful development of BB Biotech.

We thank you for your confidence in 2010.

The Board of Directors of BB Biotech AG

Prof. Dr. med. Thomas Szucs, Chairman

Prof. Dr. David Baltimore

Dr. Clive Meanwell

The biotech industry has been highly innovative and fast growing from the start and looks set to continue that way. Advances in science and breakthrough knowledge, obtained in large part through new technologies, are now being successfully harnessed in the development of new products. The current genetic knowledge explosion is driven by technologies such as the ones that have revolutionized the decoding of genomic DNA. A more profound understanding of the complex processes involved has led to more efficient and better drug development as well as earlier identification of potential side effects. As a result, society stands to benefit from drugs that are not only more effective, but better characterized and hence safer. Innovations with a good price-benefit ratio will continue to earn high prices and margins in future. The technologies referred to above, coupled with better product characterization, are contributing significantly to that process, because more expensive drugs will still be paid for provided they are effective and safe for the predefined patients.

Major therapeutic areas with an unmet medical need are currently experiencing a surge of investment from the drug industry. A wide range of highly active new treatments is likely to become available for people with hepatitis C virus infection over the next few years. Vertex is a dominant contender and likely to benefit from the launch of Telaprevir, a highly active HCV protease inhibitor. Many years of heavy investment have set the stage for high sales and profit growth in the years ahead. The new alternatives are awaited both by newly diagnosed patients and non-responders to existing treatments.

Immune therapies with therapeutic vaccines and novel antibody structures promise important advances in the treatment of solid tumors. The therapeutic vaccine Provenge has achieved a breakthrough in prolonging survival in patients with metastatic prostatic carcinoma. This vaccine is very expensive to manufacture because it is produced individually for each patient. A variety of rival products are in clinical development that are not based on such an individualized approach, which would make them significantly more cost-effective, easier and suitable for a larger patient population. The most advanced of those vaccines is Prostavac, due to begin a Phase III study in 2011.

Among antibody-based therapies, there are two main novel approaches of interest. Toxin-loaded antibodies have shown great progress in clinical trials both in the treatment of lymphatic and solid tumors. The first of these antibodies, SGN35, is expected to be granted marketing authorization in the coming months. Other antibodies of this kind such as TDM1 have the potential to reduce the need for chemotherapy with all its associated side effects, or omit chemotherapy entirely in the initial cycles of treatment, and are currently undergoing rigorous testing in a large number of clinical trials. The other approach of great interest is new therapies based on antibody fragments and combinations of the same. Bi-specific antibodies such as MT103, for instance, have been shown to produce a significantly increased activity, which has been of such extent that some cases result in side effects due to tumor dissolution.

Promising new products have been launched in diabetes management. Victoza, a recently launched GLP analog, not only produces effective blood glucose control for people with type 2 diabetes but is also associated with fewer side effects and higher weight loss than observed for the first product in this drug class. Bydureon and other long-acting GLP analogs currently in clinical development should allow diabetes patients to inject these drugs just once weekly or at even longer intervals. In the long-acting insulin category, promising clinical data has been generated for Degludec. The product combines improved efficacy with more user flexibility and a better side effects profile and, consequently, Degludec is expected to acquire a large share of the market in this product class. Among fast-acting insulins to be taken before meals, promising clinical candidates under development include PH2o insulin, which approximates natural insulin secretion in the body.

An ever more important success factor for biotech companies is their ability to market their own products themselves, or in fact access the global market directly. The biotechnology sector has progressed from a supplier of innovative concepts to the pharmaceutical industry to an industry capable of spanning the entire drug-development value chain single-handedly. Just a few years ago, it was common practice to license out development projects at an early stage. Today, biotech companies develop and market their own products in many national or regional markets. The larger biotech companies are going it alone very successfully on international markets. Emerging markets will account for much of the sales growth of the pharmaceutical industry in the future. Besides the western companies expanding into these new markets, the local players also stand to benefit from the high levels of structurally driven growth in these countries.

Alongside the established pharmaceutical markets of the USA and Europe, emerging markets are set to play an increasing role in future. Local markets are currently seeing explosive growth associated with factors such as an aging population, increasingly unhealthy lifestyles and steadily increasing purchasing power. These trends are adding significantly to the numbers of people needing access to innovative drugs and with the wherewithal to pay international prices.

The increasing pressure on pharmaceutical companies and profitable biotech companies to secure further growth is the background to the continuing trend toward consolidation in an industry whose business it is to deliver innovative drug development. Upcoming expiries of the patents that have fuelled the mammoth sales and profits of the pharmaceutical industry are likely to intensify that pressure over the coming years. Combined with the attractive valuations of many biotech companies, more takeover bids can be expected going forward and they will be successful if sufficient premiums are offered over and above the pre-bid valuations.

Bellevue Asset Management Group has managed BB Biotech AG's investment portfolio since the company was established in 1993. A high degree of specialization and proven ability to create tangible value added as an active portfolio manager are distinguishing attributes of Bellevue Asset Management Group. With 16 recognized investment specialists and total assets under management of CHF 1.7 billion, this highly specialized asset manager is one of the market leaders for investments in the growing healthcare sector in general and biotechnology in particular.

The team of experienced biotech specialists managed by Dr. Daniel Koller has established an enviable track record in identifying and managing investment opportunities in the biotech sector. Its academic expertise, many years of experience and collaboration, and a broad interest in all areas of medicine, biochemistry and economics ensure an inspiring and constructive interdisciplinary dialog within the team and with the Board of Directors as well as with external experts such as physicians and analysts.

Dr. Daniel Koller

Dr. Daniel Koller, Head, joined the Management Team in 2004. His area of specialty is cardiovascular diseases. Before joining the company he spent four years in the financial sector, initially as an equity analyst at UBS Warburg and then as a private equity investor at equity4life. Dr. Daniel Koller studied biochemistry at the Swiss Federal Institute of Technology (ETH) and earned a doctorate in biotechnology.



Dr. Daniel Koller

Stefan Müller

Stefan Müller has worked as a biotech investment specialist since 2007 and is the team's expert in the area of diabetes. Before studying biochemistry at the ETH in Zurich, Stefan Müller completed a three-year apprenticeship as a biology lab assistant at Novartis in Basel and spent an additional year at Novartis in the biotechnology development department.



Stefan Müller

Felicia Flanigan

Felicia Flanigan is an expert in infectious diseases and oncology. Before joining the team in 2004 she worked as a research analyst with Adams, Harkness & Hill. Previously she worked at SG Cowen in health-care research. Felicia Flanigan received her MBA from Suffolk University, Boston, and her BA in communications from Boston College.



Felicia Flanigan

Dallas Webb

Dallas Webb's field of specialty is infectious diseases, which he has covered for the team since 2006. He previously worked for Sterling Financial Investment Group and Stanford Group. His first assignment as a biotech analyst was with Adams, Harkness & Hill. Dallas Webb has an MBA from Texas Christian University in Fort Worth and a BA in microbiology and zoology from Louisiana State University.



Dallas Webb

Dr. Tazio Storni

Dr. Tazio Storni previously worked for UBS Global Asset Management as a financial analyst and a healthcare portfolio manager before joining our team in 2011 to cover immunology stocks. Dr. Tazio Storni earned a degree in biology with a major in biotechnology from ETH Zurich and went on to receive a doctorate in immunology. He is also a CFA charter holder.

**Dr. Tazio Storni****Jan Bootsma**

Jan Bootsma is active in the management of the investment company and has been in the investment business for over 16 years, primarily focusing on the European and US markets. He joined the team in 1995. Jan Bootsma holds a degree in economics from HEAO Zwolle, The Netherlands.

**Jan Bootsma****Nathalie Isidora-Kwidama**

Nathalie Isidora-Kwidama has been working as investment manager for nearly 16 years. She has been responsible for the investment company since 2007 when she joined the team.

**Nathalie Isidora-Kwidama****Eric Bernhardt**

Eric Bernhardt has more than 25 years of experience in biotechnology. Before accepting the position at Bellevue Asset Management as Head Healthcare in 2009, he worked for Julius Bär and Clariden Leu, where he managed investment funds specialized in healthcare, biotechnology and generics. Eric Bernhardt earned a degree in forest engineering from the ETH in Zurich and is a CFA charter holder.

**Eric Bernhardt**

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.

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 December 31, 2010

Company	Number of securities	Change since 12/31/2009	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Actelion	4 942 443	(2 557 557)	CHF	51.20	253.1	19.1%	20.5%	3.8%
Celgene	4 232 039	(132 400)	USD	59.14	233.8	17.6%	18.9%	0.9%
Gilead	5 514 768	(100 000)	USD	36.24	186.7	14.1%	15.1%	0.7%
Vertex Pharmaceuticals	5 017 408	208 300	USD	35.03	164.2	12.4%	13.3%	2.5%
Novo Nordisk	840 506	(80 000)	DKK	629.00	88.5	6.7%	7.2%	0.2%
Incyte	4 000 000	1 313 134	USD	16.56	61.9	4.7%	5.0%	3.2%
Micromet	6 494 243	3 510 518	USD	8.12	49.3	3.7%	4.0%	7.1%
Immunogen	3 924 778	3 924 778	USD	9.26	33.9	2.6%	2.7%	5.8%
Halozyme Therapeutics	4 004 758	4 004 758	USD	7.92	29.6	2.2%	2.4%	4.0%
Amylin Pharmaceuticals	1 897 255	1 897 255	USD	14.71	26.1	2.0%	2.1%	1.3%
Amgen	500 000	–	USD	54.90	25.6	1.9%	2.1%	0.1%
Alexion Pharmaceuticals	325 000	325 000	USD	80.55	24.5	1.8%	2.0%	0.4%
Biomarin Pharmaceutical	962 583	962 583	USD	26.93	24.2	1.8%	2.0%	0.9%
Optimer Pharmaceuticals	2 048 003	1 164 454	USD	11.31	21.6	1.6%	1.7%	5.2%
Bavarian Nordic	521 910	521 910	DKK	245.00	21.4	1.6%	1.7%	4.4%
Genzyme	302 000	(104 600)	USD	71.20	20.1	1.5%	1.6%	0.1%
Isis Pharmaceuticals	1 789 762	1 789 762	USD	10.12	16.9	1.3%	1.4%	1.8%
Basilea Pharmaceutica	187 091	(12 909)	CHF	65.00	12.2	0.9%	1.0%	2.0%
Affymetrix	2 000 000	–	USD	5.03	9.4	0.7%	0.8%	2.8%
Idenix Pharmaceuticals	1 848 269	1 848 269	USD	5.04	8.7	0.7%	0.7%	2.5%
Intercell	500 000	500 000	EUR	11.60	7.2	0.5%	0.6%	1.0%
Cosmo Pharmaceuticals ¹⁾	102 525	102 525	CHF	20.00	2.1	0.2%	0.2%	0.7%
Probiodrug ²⁾	1 858 736	–	EUR	2.69	6.2	0.5%	0.5%	
Total					1 327.2	100.0%	107.5%	
Derivative instruments								
Cosmo Pharmaceuticals put option (long) ³⁾	102 525	102 525	CHF	1.70	0.2	<0.1%	<0.1%	
SWAP agreement on treasury shares	1	–	CHF		<0.1	<0.1%	<0.1%	
Celgene call option (short)	(300 000)	(300 000)	USD	0.07	<(0.1)	<(0.1)%	<(0.1)%	
Total securities					1 327.3	100.0%	107.5%	
Liquid funds (net)					(116.5)		(9.4%)	
Other assets					26.2		2.1%	
Other payables					(2.1)		(0.2%)	
Total					1 234.8		100.0%	
BB Biotech registered shares ³⁾	2 984 997	1 173 838			184.4			16.4%
Total					1 419.2			

1) Exchange from shares BioXell due to the acceptance of the public tender offer

2) Unlisted company

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

Exchange rates as at 12/31/2010:

USD / CHF: 0.93405

EUR / CHF: 1.24960

DKK / CHF: 16.74550

“Strategically, Actelion is committed to growing and strengthening its PAH franchise: new molecules, including macitentan and selexipag, will enable us to build on the success of Tracleer.”

Jean-Paul Clozel, Chief Executive Officer, Member of the Board and Founder, Actelion



Sector – Pulmonary arterial hypertension

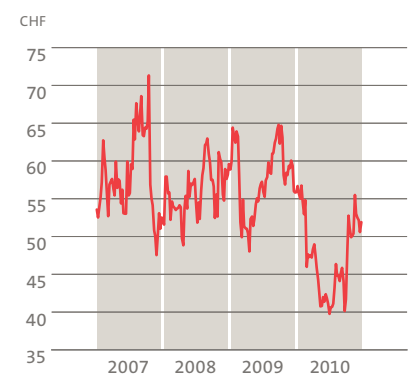
Pulmonary arterial hypertension (PAH) is a lethal and progressive pathological process involving the pulmonary arteries that leads to increased tone and progressive thickening and destruction of the vessels. The result is an increase in resistance to blood flow, increasing afterload to the right ventricle, and eventually death from progressive right heart failure. Considerable progress has been made over the past several decades in the understanding of the pathogenesis of the disease that has led to the development of a number of treatments. Presently, pharmacotherapies are available from three main categories of drug. These consist of endothelin receptor antagonists (ERAs), which block the actions of endothelin, a circulating peptide that is increased in PAH patients and promotes vasoconstriction as well as proliferation of pulmonary vascular cells, leading to vascular wall constriction and thickening in a process referred to as remodeling. Second, phosphodiesterase (PDE) 5 inhibitors slow the breakdown of cyclic GMP, an intracellular messenger that effects vasodilatation and inhibits proliferation of pulmonary vascular cells, at least in in vitro systems. Finally, prostacyclins, which are potent vasodilatory and antiproliferative prostaglandins, are available in either infused or inhaled forms. The oral therapies, either the ERAs ambrisentan (Letairis) or bosentan (Tracleer) or PDE-5 inhibitors tadalafil (Adcirca) or sildenafil (Revatio), are the ones first recommended for treatment of lower risk individuals. Lower risk patients are usually started on a single oral drug initially. If the improvement in symptoms or functional capacity is not adequate, most centers add the oral drug from the other category to the agent that was begun initially. For patients who are higher risk at initiation or who deteriorate rapidly despite initial oral therapy, infusion therapies are generally selected. Currently, these include intravenous epoprostenol that is available as a traditional brand name version (Flolan), a generic version, and a newer thermostable variety (Veletri). Treprostinil, given intravenously or subcutaneously, is thermostable and has a longer half-life. The inhaled prostacyclins iloprost (Ventavis) and treprostinil (Tyvaso) are also currently available. Newer agents in development include an oral ERA that is considered more tissue specific (Macitentan) than those currently available and oral treprostinil that is being tested as a monotherapy and as combination therapy. Clinical trials are underway on riociguat, a guanylate cyclase stimulator that is supported by phase II data, and tyrosine kinase inhibitors including imatinib (Gleevec) and nilotinib that block receptor tyrosine kinases that are important in cell proliferation and are already on the US market to treat certain cancers.

Investment commentary – Actelion

Actelion concentrates on the development and marketing of medicines used to treat cardiovascular diseases. Their lead product, Tracleer, is the first oral endothelin receptor antagonist. In 2002, the agent was approved in the US and Europe for the treatment of pulmonary arterial hypertension (PAH). Increasing patient diagnosis, patient survival, and the successful geographic expansion of sales territories are the basis for the continued strong sales momentum. Given Tracleer's clinical profile, we expect Tracleer to remain the cornerstone of PAH therapy and to continue its growth trajectory, albeit at a slower pace. Actelion's pipeline substantially progressed in 2010. The key Phase III study SERAPHIN is expected to report in late 2011 testing Macitentan for the treatment of PAH. Macitentan is being developed as next generation Tracleer and is expected to be more efficacious plus have a better safety profile. In addition to PAH, Macitentan is being tested for patients suffering from idiopathic pulmonary fibrosis (IPF), with Phase II results expected in the second quarter of 2011. Olesoxime, an in-licensed drug, will report data from a Phase III study for amyotrophic lateral sclerosis (ALS) in the second half of 2011. Additional important development programs with results in 2011 include data from a large Phase II study for the company's S1P1 agonist for the treatment of multiple sclerosis. In case of positive data, Actelion could outlicense S1P1 with a significant partnership to be expected. Other clinical programs such as selexipag, a novel oral prostanoid receptor agonist for the treatment of PAH, and its CRTH2 receptor antagonist for the treatment of allergic inflammation are ongoing. The company has a broad early stage pipeline and is well financed to consider product acquisitions in the future.

DR. MED. NICHOLAS S. HILL

- Director of Outpatient Pulmonary Rehabilitation for New England Sinai Hospital Inc.
- Dr. Hill's main research interests are in the acute and chronic applications of noninvasive positive pressure ventilation (NPPV) for treating lung disease as well as the pathogenesis and therapy of pulmonary hypertension
- Apart from numerous other awards he has received the Career Investigator Award, National Institutes of Health; and a Parker B. Francis Foundation Fellowship Award diagnosis efforts



FACTS & FIGURES

Market capitalization 12/31/10: CHF 6.6 bn

Revenues 2010: CHF 1.9 bn

EBIT margin 2010: 32%

Net profit 2010: CHF 391 mn

Source chart: Datastream

“What is most exciting about Celgene today is the kind of investments we have made, for more than a decade now, investing significant percentages of our revenue back into R&D, we are on the verge of the beginning to really see the benefit of that strategic planning that will drive long-term sustainable growth. We are now embarked on 25 plus pivotal or Phase 3 trials with multiple products. We are also targeting more than 30 regulatory approvals with multiple products in major markets over the next five years.”

Robert J. Hugin, Chairman and Chief Executive Officer, Celgene



Sector – Hematology

Multiple myeloma is characterized by increased numbers of cancerous plasma cells in the bone marrow that lead to anemia (low levels of red blood cells), a kidney failure, and a predisposition to bone fractures. Myeloma primarily affects older adults with a median age of 66 at diagnosis, and approximately 16 000 cases of myeloma are diagnosed each year both in the United States and Europe. Less than a third of patients are alive 5 years after diagnosis and the disease is largely incurable, but the developments in novel treatment approaches over the past decade have gradually improved overall survival rates.

There is currently no “standard of care” for the treatment of myeloma patients. Typical contemporary treatments include the use of bortezomib (Velcade), lenalidomide (Revlimid), or thalidomide (Thalomid) alone or in combination with conventional chemotherapeutic agents. Moreover, autologous stem cell transplantation may be carried out in patients in attempts to prolong remissions.

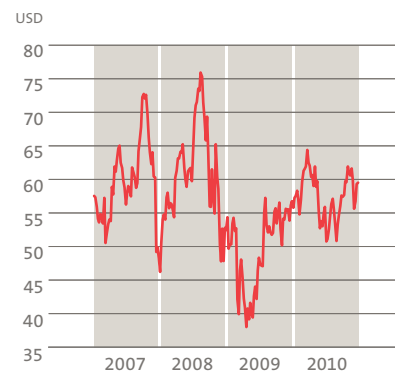
Ongoing clinical research seeks to define the optimal initial (induction) treatment approach and the role of maintenance therapy to prolong remissions. Some novel agents currently under clinical investigation include perifosine, carfilzomib, NPI-0052, pomalidomide, bendamustine, elotuzumab, CNTO 328, vorinostat, GDC-0449, and BMS-833923 among others.

Investment commentary – Celgene

Celgene specializes in the development and marketing of new drugs for cancer and inflammatory diseases. Its first marketed product, Thalomid, was approved for multiple myeloma in May 2006. Its second blockbuster product is Revlimid, an analog of Thalomid with improved efficacy and safety that was approved by the FDA in December 2005 for the subgroup of patients with myelodysplastic syndrome (MDS) characterized by an abnormality in the 5q-chromosome. Data from another trial showed that Revlimid is active in the broader group of low- and intermediate-risk MDS patients. For the larger indication of relapsed/refractory multiple myeloma, Revlimid received approval in June 2006. In late 2007, late 2009, and early 2010, the company presented strong data in newly diagnosed multiple myeloma patients who are eligible and ineligible for transplant, which should substantially increase the market opportunity of Revlimid. Together, multiple myeloma and MDS represent a multi-billion-dollar worldwide market opportunity for Revlimid. Results from studies in other hematologic malignancies, such as chronic lymphocytic leukemia and non-Hodgkin’s lymphoma, are showing promise, and late-stage trials that could generate label expansions for these important indications began in 2009. The 2007 acquisition of Pharmion gave Celgene worldwide rights to Vidaza for high-risk MDS. The product has shown striking survival data and we expect it to be the leading drug for this indication. In addition, the 2010 acquisition of Abraxis gave Celgene an entrée into the solid tumor area with Abraxane, on the market in the US and Europe for metastatic breast cancer and with a potential approval in the US for non-small cell lung cancer in 2012. Other Thalomid analogs are in development which could target different malignancies and inflammatory disorders. These include Apremilast, in Phase III trials in patients with psoriasis and psoriatic arthritis. The company receives royalties on sales of Ritalin and Focalin (ADHD) from Novartis.

DR. MED. WILLIAM MATSUI

- Associate Professor of Oncology at the Sidney Kimmel Comprehensive Cancer Center and the Johns Hopkins School of Medicine, Maryland
- Dr. Matsui specializes in clinical and laboratory examination of hematological malignancies that include lymphomas, acute and chronic leukemias, multiple myeloma and paroxysmal nocturnal hemoglobinuria (PNH) as well as bone marrow transplantation
- He is also engaged in several clinical trials in hematological malignancies utilizing novel anti-cancer agents, standard chemotherapy and bone marrow transplantation and survival rates



FACTS & FIGURES

Market capitalization 12/31/10: USD 27.8 bn

Revenues 2010: USD 3.6 bn

EBIT margin 2010: 34%

Net profit 2010: USD 885 mn

Source chart: Datastream



“Combination antiretroviral therapy has dramatically advanced the field of HIV medicine, but the need remains for new single-tablet regimens that are effective, safe and well tolerated. Gilead is committed to helping advance HIV treatment by pursuing both scientific research and innovative partnerships that will deliver more options to the healthcare community. We are pleased to work with Tibotec to bring this potentially important new therapy – the Truvada/TMC278 single-tablet regimen – to people living with HIV.”

John C. Martin, PhD, Chairman and Chief Executive Officer, Gilead Sciences

Sector – Infectious diseases

30 years after the discovery of AIDS, HIV infection remains a planetary threat. HIV persistence and latency in the body are the major concerns for HIV eradication, despite the availability of effective virologic and immunologic monitoring tools, and especially multiple antiretroviral drugs, used in combination for 15 years (combined antiretroviral therapy, or cART).

The diagnosis and monitoring of HIV disease progression includes a series of virologic tests (measurement of very low-level viral load, genotypic-phenotypic resistance assays, viral tropism assays) and immunologic tools. The currently available antiretrovirals belong to different classes: nucleos(t)ide inhibitors of HIV reverse transcriptase enzyme (NRTIs), with the possibility to deliver 2–4 drugs in fixed combinations; non-nucleoside inhibitors of the reverse transcriptase (NNRTIs); HIV protease inhibitors (PIs); integrase inhibitors (IIs), and entry and fusion inhibitors. There are also new classes of compounds in development, including maturation inhibitors.

cART is continuously optimized by evaluating the efficacy and safety data on novel drugs-drug combinations and exploiting strategies to increase patient adherence. Novel fixed-dose combinations are under advanced study, with a focus on improving patient compliance, enhancing long-term efficacy, preventing resistance, and minimizing side effects.

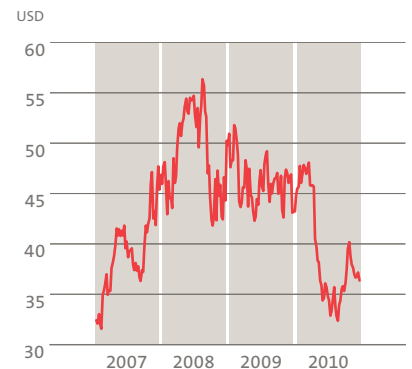
Some major tasks in the future management of HIV infection include the greater mean age of HIV-infected patients and the increased comorbidities (chronic liver diseases, malignancies, dementia, and depression, for example), which also includes a predisposition to the metabolic syndrome, diabetes mellitus, hypertension, kidney and bone disorders, and especially cardiovascular complications.

Investment commentary – Gilead Sciences

Gilead develops drugs for infectious diseases such as HIV, hepatitis B, hepatitis C, and influenza, as well as pulmonary disorders such as pulmonary arterial hypertension (PAH) and cystic fibrosis. The company's first key product, Viread, is a nucleotide reverse transcriptase inhibitor that was launched in 2001 and is now firmly established as a mainstay of treatment for HIV infection. In 2004, the company launched Truvada, which has become the backbone of therapy for the majority of HIV patients. In July 2006, Gilead launched Atripla, a once-daily fixed-dose tablet that includes Truvada and Bristol-Myers Squibb's Sustiva. Atripla has rapidly become the drug of choice in the US and Europe for newly diagnosed HIV patients. In addition, the company's integrase inhibitor, currently in Phase III trials, and fixed-dose combination of Truvada and Tibotec's non-nucleoside TMC-278, filed in the US and Europe, could offer HIV patients other alternatives to combat the disease. The introduction of Hepsera established Gilead as an important player in the treatment of hepatitis B infection and the launch of Viread for this indication in 2008 should expand the franchise as Viread has shown better efficacy. The company receives a royalty from partner Roche on worldwide sales of Tamiflu for the treatment and prevention of influenza. In June 2007, Gilead launched Letairis for the treatment of PAH, which competes with Actelion's Tracleer. Cayston, a new antibiotic for the treatment of cystic fibrosis, was launched in the US and Europe in 2010.

PROF. DR. MED. ROBERTO MANFREDI

- Associate Professor in the Department of Infectious Diseases, University of Bologna School of Medicine and Dentistry, Bologna
- His research interests include infectious diseases, HIV/AIDS, antiretroviral therapy, antimicrobial chemotherapy
- He has over 2000 publications to his credit including 50 book chapters and 10 monographs



FACTS & FIGURES

Market capitalization 12/31/10: USD 29.4 bn

Revenues 2010: USD 7.9 bn

EBIT margin 2010: 52%

Net profit 2010: USD 2.9 bn

Source chart: Datastream

“Our commercial team is in place and prepared for the planned launch of telaprevir this year. We believe that telaprevir will dramatically change the treatment of hepatitis C and establish Vertex as a company capable of discovering, developing and launching transformative medicines to treat serious diseases.”

Matthew Emmens, Chairman and Chief Executive Officer, Vertex Pharmaceuticals



Sector – Hepatitis C

Hepatitis C Virus (HCV) represents the most common chronic blood borne viral infection in the United States. It is estimated that 4 million people in the United States are infected with HCV. Within the next 5–10 years, there will be a dramatic increase in the number of HCV infected patients with advanced liver disease, cirrhosis, and liver cancer.

Current treatment for HCV includes pegylated interferon and ribavirin. Sustained virologic response (SVR), or cure, has been reported in 46% of patients infected with genotype 1 HCV and up to 82% of patients with non-genotype 1 HCV. Clearly, a significant number of patients fail to achieve an SVR, and novel therapies are needed.

Recent discoveries have led to the development of therapies that directly inhibit viral replication. Preliminary data with Telaprevir and Boceprevir, likely the first to market “direct acting antiviral agents (DAAs),” have been encouraging, with SVR rates approaching 75% in previously untreated genotype 1 patients, 60% of previously treated partial responders, 75%–88% of previously treated relapsers, and 33% of null responders to previous therapy. These results have generated a lot of excitement in the HCV community. However, enthusiasm for these new agents must be tempered by very real concerns such as the emergence of HCV resistance and significant treatment related adverse events including rash, gastrointestinal side effects, and anemia.

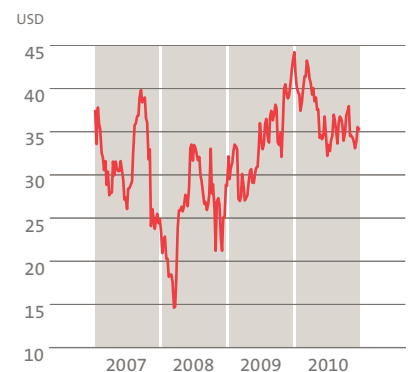
Studies assessing other protease inhibitors, polymerase inhibitors, NS5A inhibitors, and combinations of these agents with and without interferon and ribavirin have produced very interesting data. Thus, the concept of what the future of HCV therapy will eventually be is evolving. Will an interferon and ribavirin free regimen be feasible? What is the ultimate therapeutic combination? These are questions that remain unanswered.

Investment commentary – Vertex Pharmaceuticals

Vertex is focused on discovering and developing small molecule drugs for diseases that include hepatitis C, cystic fibrosis, and inflammatory and autoimmune disorders. Its strategy is to retain US development and marketing rights to product candidates for hepatitis C and cystic fibrosis, and to partner candidates for other disease areas. Its lead product is Telaprevir, a protease inhibitor for hepatitis C. Data from two large Phase II trials, PROVE-1 and PROVE-2, showed sustained viral response (SVR) rates of 61% and 69%, respectively, following twelve weeks of triple therapy plus twelve weeks of standard therapy. These results compare with SVR rates of 40% to 50% achieved with the current standard of care. The shorter treatment time and better cure rate with Telaprevir have raised the hopes of many hepatitis C patients. In addition, Telaprevir showed highly encouraging data in patients who have failed standard therapy, offering the chance for a cure for this large, underserved patient population. Results from Phase III trials released in 2010 confirmed this strong efficacy, with 75% of treatment-naïve patients experiencing SVR and 58% able to stop therapy after just 24 weeks, and with 65% of treatment-refractory patients experiencing SVR with 48 weeks of therapy. In addition, the safety profile was consistent with earlier data. We expect these positive results to lead to launch of Telaprevir in the US and Europe in 2011. In view of the high market demand, we expect the drug to achieve a rapid launch and significant market success. While there are a number of competing drugs in development, data presented in 2010 continue to suggest that Telaprevir’s profile is very solid. In addition, the 2009 acquisition of ViroChem gave Vertex a highly potent drug from a different class of agents that it will combine with Telaprevir in the hopes of further improving the treatment paradigm for HCV. We expect results from Phase III trials with VX-770 for patients with cystic fibrosis in the first half of 2011. If positive, the drug could be the first to address one of the underlying defects in a subgroup of patients with this devastating disease.

PROF. DR. MED. PAUL GAGLIO

- Medical Director of Adult Liver Transplantation at the Montefiore Medical Center and Professor of Clinical Medicine at the Albert Einstein College of Medicine, Bronx NY
- He specializes in liver transplantation, liver disease, acute liver failure, chronic liver disease, portal hypertension, viral hepatitis, fatty liver disease
- He is also the author of multiple manuscripts, book chapters, and abstracts, he has also participated in numerous research trials related to the therapy of hepatitis B and C, liver transplantation, and treatment of liver failure



FACTS & FIGURES

Market capitalization 12/31/10: USD 7.1 bn

Revenues 2010: USD 143 mn

Net loss 2010: USD 755 mn

Source chart: Datastream

“The WHO predicts that by 2030 more than 366 million people will suffer with diabetes. Developing countries will face the greatest burdens.”

Prof. Dr. med. David C. Robbins, Director of the KU Diabetes Institute, Kansas University School of Medicine, Kansas City



Sector – Diabetes

The WHO predicts that by 2030 more than 366 million people will suffer with diabetes. Developing countries will face the greatest burdens and will be the source of more than 80% of diabetes-related deaths. Diabetes more than triples the cost of one's healthcare and threatens to cripple public healthcare systems worldwide.

Diabetes is identified by abnormal elevations in blood glucose. There are two major types of diabetes. Type 1 mostly appears before the age of 30, and accounts for less than 10% of all diabetes. In type 1 diabetes, the immune system attacks and destroys the insulin-producing cells in the pancreas (beta-cells), a process called autoimmunity. Genetics and certain environmental factors are thought to trigger the irreversible destruction.

The vast majority of diabetes is type 2, a disease tightly linked to obesity, inactivity and aging. Type 2 diabetes is caused by a gradual and insidious loss of beta cells probably caused by inflammation and production of toxins around the beta cells, rather than autoimmunity. The result is an eventual imbalance between insulin production and insulin needs. Once seen almost exclusively in adults over the age of 30, it is now seen in overweight teenagers. High blood pressure and abnormal blood fats often accompany the elevations in glucose.

Both types of diabetes can cause widespread damage to blood vessels, nerves, kidneys and the eyes. Diabetic patients face a 3 to 5 times higher risk of heart disease and it is the leading cause of blindness and kidney failure in adults.

Maintaining a healthy weight and moderate daily physical activity can often prevent type 2 diabetes. Type 1 diabetes must be treated with insulin. There is evidence that certain medications and lifestyle modification can slow the loss of beta-cells in type 2 diabetes, and there is hope that both types can be reversed by interventions that stimulate growth of new, healthy beta-cells.

Investment commentary – Novo Nordisk

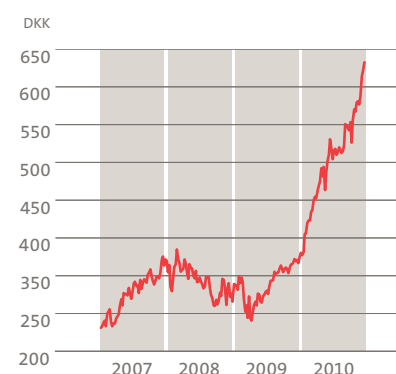
Novo Nordisk concentrates its research in three main areas: diabetes, hemostasis and growth hormones. Novo Nordisk is the world market leader in the insulin and modern insulin spaces with a worldwide market share of around 50%. Promising results of Novo's long-acting insulin, Degludec, and mixed insulin Degludec Plus, were presented in 2010. Further updates will follow in 2011, with potential launches in 2012/13. These two products are important to secure Novo's long-term growth in the modern insulin space and to take a bigger market share in the long acting insulin market, in which the best-selling diabetes drug, Lantus from Sanofi, is the market leader.

In 2010, Victoza, a once-daily GLP-1 analogue, was approved in the US and Japan and initial sales figures and market expansion are very promising. Competitor setbacks helped to further strengthen Novo's leading position in the GLP-1 and broader diabetes fields. Further clarification on Novo's strategy in the long-acting GLP-1 market is expected in 2011.

In the hemostasis field, Novo reported successful Phase III results for their factor XIII product for the treatment of congenital FXIII deficiency. Additionally, we expect further studies to be started with a long-acting FIX product, which could improve the treatment of hemophilia B patients significantly. Other important products at Novo Nordisk are NovoSeven (recombinant coagulation factor VII) for the treatment of hemophilic conditions and hGH for the treatment of human growth hormone deficiency. New longer acting formulations are in development for both products.

DR. PROF. MED. DAVID C. ROBBINS

- Director of the KU Diabetes Institute of the Kansas University School of Medicine, Kansas City
- He specializes in Endocrinology, Diabetes and Metabolic Diseases



FACTS & FIGURES

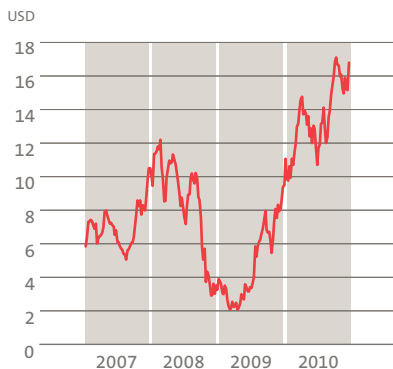
Market capitalization 12/31/10: DKK 309.8 bn

Revenues 2010: DKK 60.8 bn

EBIT margin 2010: 31%

Net profit 2010: DKK 14.4 bn

Source chart: Datastream

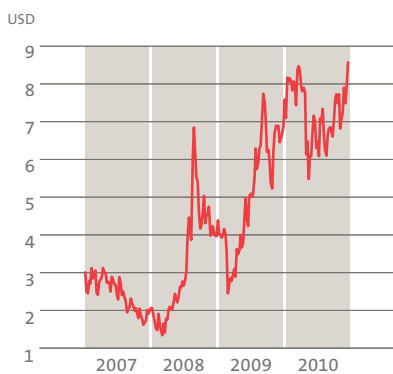


FACTS & FIGURES

Market capitalization 12/31/10: USD 2.0 bn

Revenues 2010: USD 170 mn

Net loss 2010: USD 32 mn

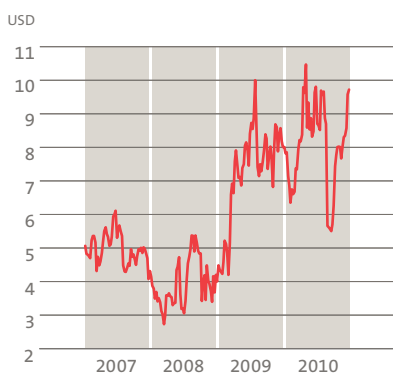


FACTS & FIGURES

Market capitalization 12/31/10: USD 738 mn

Revenues 2010*: USD 27 mn

Net loss 2010*: USD 42 mn



FACTS & FIGURES

Market capitalization 12/31/10: USD 630 mn

Revenues 2010: USD 14 mn

Net loss 2010: USD 51 mn

*Estimates

Source chart: Datastream

Incyte

Incyte is a drug discovery company focused on hematologic disorders, inflammatory disorders, and cancer. The most advanced project is INCB18424, an oral JAK-2 inhibitor that entered Phase III trials following highly positive Phase II data in patients with myelofibrosis, polycythemia vera (PV), and essential thrombocythemia (ET). Data released at the end of 2010 from a US Phase III trial with INCB18424 in myelofibrosis confirmed the strong efficacy and safety profile, and we expect similar results from a Phase III trial being conducted in Europe to follow in the first quarter of 2011. This will put the drug on track to launch around the end of 2011. We expect data from a Phase III trial in patients with PV to be available in 2013. Together, we estimate that myelofibrosis and PV represent a USD 2.0 bn market opportunity in the US and Europe for INCB18424. In November 2009, Novartis licensed ex-US rights to INCB18424 in a deal valued at almost USD 1.0 bn. A second-generation JAK-2 inhibitor, INCB28050, produced positive results in a Phase IIa trial in rheumatoid arthritis and we expect data from a Phase IIb trial to follow in the second half of 2011. Progress on other compounds in its early stage pipeline, including sheddase inhibitor INCB7839 for solid tumors, also continues.

Micromet

Micromet is a biopharmaceutical company developing novel proprietary antibodies for the treatment of cancer, inflammation and autoimmune diseases. In 2006, CancerVax Corporation completed a merger with Micromet, which was at that stage privately held. Micromet's leading products are based on the BiTE antibody technology (bispecific antibody). BiTE antibodies are designed to direct the body's cytotoxic T cells against specific tumor cells. The company's lead compound is Blinatumumab, a CD19 BiTE antibody. After presenting promising results from their Phase II program in acute lymphatic leukemia (ALL), Micromet entered into Phase III trials in ALL in MRD positive patients. Additional Phase II trials are underway in other hematological cancers such as relapsed/refractory ALL and NHL, as well as a trial in children with ALL (ALL is most prevalent in children). Micromet's second BiTE antibody in clinical development is MT110 and is expected to present Phase I results in the second half of 2011. Micromet completed two financings in 2010, providing sufficient cash resources for the next several years.

Immunogen

Immunogen is a biotechnology company developing targeted anticancer therapeutics utilizing its proprietary technologies. Specifically, Immunogen is able to link potent cancer killing agents to antibodies that are specific to certain tumors, thus increasing potency while reducing side effects. Its lead compound, T-DM1, is partnered with Roche and is being developed for HER2 positive metastatic breast cancer, the same indication as the blockbuster Herceptin. Phase II data thus far show that the drug works in patients whose tumors have progressed following Herceptin and many other treatments, which represents a very sick and desperate patient population. The companies will file for approval after a large Phase III study is completed in 2012. Immunogen and Roche also presented additional Phase II data in 2010 that further validate the safety and efficacy of T-DM1. T-DM1 could be potentially differentiated from Herceptin if future trials show that it can achieve the same efficacy without the addition of chemotherapy, thereby significantly reducing side effects.

Halozyme Therapeutics

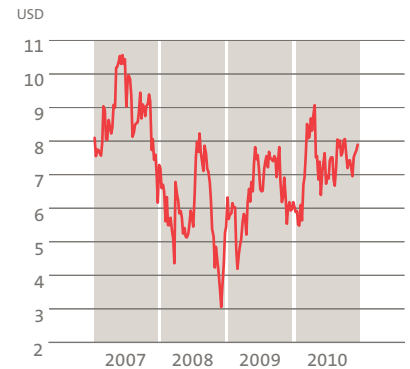
Halozyme is a biopharmaceutical company developing and commercializing products targeting the extracellular matrix for the endocrinology, oncology, dermatology and drug delivery markets. The company's portfolio of products is primarily based on intellectual property covering the family of human enzymes known as hyaluronidases and additional enzymes that alter the Matrix. The company's lead enzyme, rHuPH2o, is an example of a Matrix modifying enzyme. By temporarily degrading hyaluronan (HA), a key component in the skin, rHuPH2o facilitates the delivery of drugs and fluids through the Matrix and into circulation. This approach works for both small molecules and for larger and complex biological molecules such as antibodies. The enhanced drug delivery of biologics through the skin, called Enhance technology, allows both for increased absorption and better dispersion of such biologics. The company has key partnerships with Roche to apply Enhance technology to Roche's biological therapeutics, including Herceptin and MabThera, for up to 13 targets, and with Baxter BioScience to apply Enhance technology to GAMMAGARD Liquid. Halozyme's Ultrafast Insulin program combines its rHuPH2o enzyme with mealtime insulins, which may produce more rapid absorption, faster action, and improved glycemic control.

Amylin Pharmaceuticals

Amylin Pharmaceuticals is focused on metabolic diseases such as diabetes and obesity. The company has two products on the market, Symlin and Byetta, both approved in the US since 2005. Byetta, the first ever approved glucagon-like peptide-1 (GLP-1) analog, reduces blood sugar and weight in diabetic patients and is partnered with Eli Lilly. Amylin is also developing a long-acting GLP-1 analog (Bydureon), which only has to be injected once a week. In October 2010 Amylin received a complete response letter from the FDA for Bydureon, stating that another short study including measuring heart rhythm at super therapeutic doses is requested. Another product under regulatory review is Metreleptin, which is being developed for a rare disease called lipodystrophy where normal fat tissue is lost and fat is deposited in various organs. Additionally, Metreleptin in combination with another compound called pramlintide is being developed as a treatment for obesity, where promising Phase II data has been shown. Both indications are partnered with Takeda.

Amgen

Amgen is a bellwether biotechnology company focused on oncology, inflammation, and bone disease. Since the beginning of 2007, significant pressure has been placed on the sales of its flagship anemia drugs in the renal and oncology segments due to numerous medical publications showing safety signals at higher doses of the drugs (Aranesp and Epogen). However, Amgen's lead pipeline product, Denosumab, was approved in 2010 for the treatment of osteoporosis and bone metastasis due to cancer. At the end of 2010, Amgen presented positive data in preventing bone metastases due to prostate cancer which could expand the market opportunity significantly. Denosumab has the potential to replace a large part of the lost revenue previously mentioned. In 2011, we expect a lot of information on the drug launch and a potential approval in bone met prevention in prostate cancer. Denosumab is partnered with GSK in Europe for the osteoporosis indication, Amgen will market in the US and retains rights to the larger oncology setting.



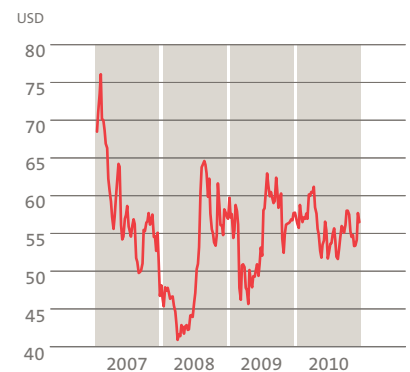
FACTS & FIGURES

Market capitalization 12/31/10: USD 795 mn
 Revenues 2010*: USD 15 mn
 Net loss 2010*: USD 49 mn



FACTS & FIGURES

Market capitalization 12/31/10: USD 2.1 bn
 Revenues 2010: USD 669 mn
 Net loss 2010: USD 152 mn

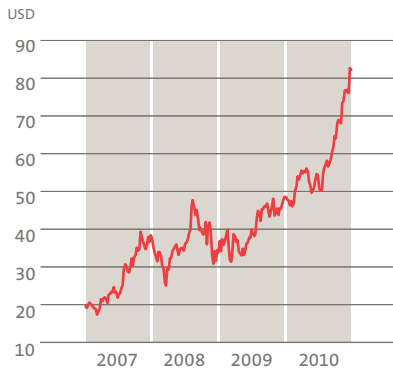


FACTS & FIGURES

Market capitalization 12/31/10: USD 52 bn
 Revenues 2010: USD 15 bn
 Net profit 2010: USD 4.6 bn

*Estimates

Source chart: Datastream



FACTS & FIGURES

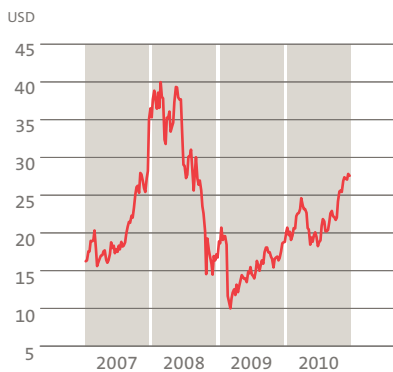
Market capitalization 12/31/10: USD 7.3 bn

Revenues 2010: USD 541 mn

Net profit 2010: USD 97 mn

Alexion Pharmaceuticals

Alexion is focused on developing drugs for rare disorders. Its lead product, Soliris, is approved for paroxysmal nocturnal hemoglobinuria (PNH), a disease estimated to afflict over 20 000 patients worldwide. The product was approved in the US and Europe in 2007 with a broad label. The launch has gone extremely well to date given Alexion's success at facilitating patient access and reimbursement and increasing physician awareness and screening to identify new PNH patients. We expect launch in other key territories, as well as continued penetration in the US and Europe, to enable Soliris sales in PNH to reach over USD 1.0 bn. Atypical hemolytic uremic syndrome (aHUS) is the next indication for which we expect Soliris to gain approval. We estimate an annual incidence of 1 200 to 1 800 patients in the US and Europe. In October 2010, the company announced highly positive interim data from four Phase II trials that we expect will support approval for aHUS in the US and Europe in the second half of 2012 and the first half of 2013. We estimate an additional USD 500 mn to USD 1.0 bn market opportunity for Soliris. Soliris is also in early-stage testing in a number of other orphan indications that could generate a larger market opportunity than we expect if successful results are reported in 2011.



FACTS & FIGURES

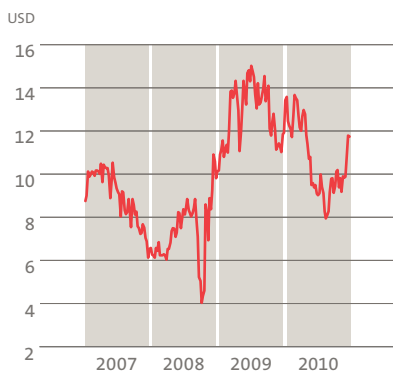
Market capitalization 12/31/10: USD 2.8 bn

Revenues 2010*: USD 380 mn

Net profit 2010*: USD 61 mn

Biomarin Pharmaceutical

Biomarin develops drugs to treat rare genetic disorders. The company's first marketed product is Aldurazyme, an enzyme replacement therapy for mucopolysaccharidosis I (MPS-I) that has an estimated prevalence of 3000 to 4000 patients worldwide. The second enzyme replacement product is Naglazyme for MPS-VI that BioMarin is selling in the US and Europe. The worldwide prevalence of MPS-VI is estimated at about 1000 patients. Kuvan is an oral therapeutic on the market for phenylketonuria (PKU), an inherited metabolic disease with an estimated worldwide prevalence of 30 000 to 50 000. One of Biomarin's lead product candidates in development is PEG-PAL, an enzyme substitution therapy for PKU with the potential to treat patients who do not respond to Kuvan. Initial data from a Phase II trial look promising and Phase III trials could begin at the end of 2011. The second key development candidate is GALNS (BMN-110) for Morquio A syndrome (MPS-IVA). Data from a Phase II trial were positive and we expect the start of a Phase III trial in the first quarter of 2011. To date, about 1000 patients with Morquio A syndrome have been identified and Biomarin estimates that there are at least 3000 patients worldwide, making GALNS Biomarin's largest potential product to date.



FACTS & FIGURES

Market capitalization 12/31/10: USD 442 mn

Revenues 2010*: USD 1.6 mn

Net loss 2010*: USD 49 mn

*Estimates

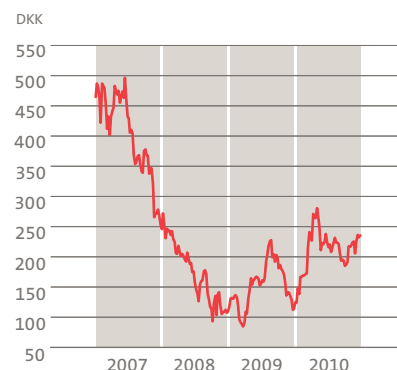
Source chart: Datastream

Optimer Pharmaceuticals

Optimer develops antibiotic drug candidates. Optimer's lead compound Fidaxomicin is a novel antibiotic selective for Clostridium difficile bacteria, which cause severe and sometimes fatal diarrhea in hospitalized patients. It is designed to eradicate only Clostridium difficile bacteria, thus not disrupting the helpful bacteria that inhabit the GI system. This is unique and differentiated from current antibiotics that tend to wipe out all the bacteria, often leading to relapse of symptoms in patients. Optimer announced very positive data from two Phase III studies showing a significant reduction in disease recurrence versus Vancomycin, making Fidaxomicin perhaps the most effective overall drug for this disease. Given the positive data, the company filed for approval in Europe and the US in 2010, making approval possible by mid-2011. Optimer intends to launch the drug by itself in the US and to find a partner in Europe. The company also has another product, Prulifloxacin, where data from two Phase III studies were positive.

Bavarian Nordic

The Danish biotech company Bavarian Nordic is a developer of vaccines to treat cancer. Bavarian Nordic is also developing a vaccine to combat bioterrorism. Imvamune, a smallpox vaccine, was recently granted US Food and Drug Administration (FDA) approval for emergency use. The US government granted an additional contract to develop a more stable formulation of the vaccine, which can be stored for a longer period of time. Bavarian Nordic is now set to deliver USD 500 mn worth of vaccine doses to the US government over the next three years. There is an option under which the US government could increase the amount of vaccine by 60 mn doses, which could be worth more than USD 1 bn to Bavarian Nordic. Their lead development candidate is Prostavac, a cancer vaccine with promising Phase II results in patients with prostate cancer. We expect Prostavac to enter the final phase of clinical development during 2011. Additionally, Bavarian Nordic plans to partner Prostavac in the first half of 2011 and proceed with Phase III trials in the second half of 2011.

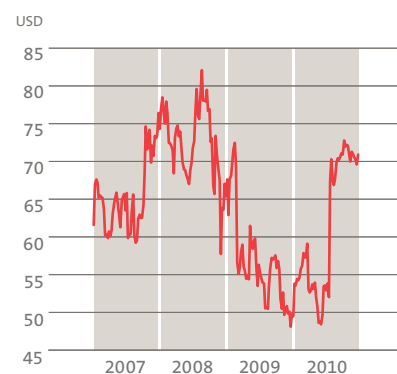


FACTS & FIGURES

Market capitalization 12/31/10: DKK 2.9 bn
 Revenues 2010*: DKK 319 mn
 Net loss 2010*: DKK 394 mn

Genzyme

Genzyme is a biotechnology company focused on orphan diseases (very small patient populations). Genzyme has become the leader in treating Gaucher, Fabry, and Pompe disease, each with fewer than 10 000 patients worldwide. In 2009, a rare viral contamination led to a manufacturing interruption at one plant and repeated FDA inspections of the plant. This has resulted in patient dosing interruptions and loss of share to the competition. In turn, Genzyme's stock price suffered greatly. We began building our position after these setbacks due to our belief that the manufacturing issues will be resolved and that Genzyme will be able to recapture and resupply the majority of its patients. In 2010 Genzyme made great progress and has almost completed the remediation process. In July 2010, Sanofi made a bid for Genzyme, but Genzyme rejected the offer claiming the price was too low. In 2011, we expect Sanofi to raise the bid, which will likely include a contingent value right on Campath for multiple sclerosis (Phase III data expected mid-2011 and second half of 2011).

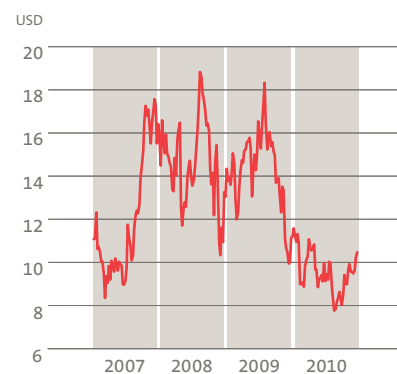


FACTS & FIGURES

Market capitalization 12/31/10: USD 18.4 bn
 Revenues 2010*: USD 4.3 bn
 Net profit 2010*: USD 479 mn

Isis Pharmaceuticals

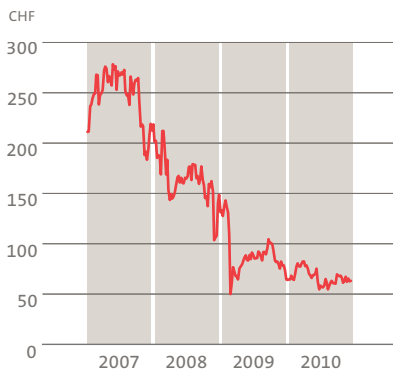
Isis Pharmaceuticals is the leader in the space of antisense technology. Antisense is a direct way to inhibit messenger RNA (mRNA), which delivers the information stored in DNA to make proteins. Through the human genome project, approximately 25 000 genes were discovered and mapped, which created new opportunities and targets accessible only through antisense technology. Isis has 24 compounds in clinical development, with most of them being developed through partnerships. Isis' lead product candidate is Mipomersen for the treatment of high LDL-cholesterol. Together with their partner Genzyme, Isis has concluded four successful Phase III trials in homozygous and heterozygous familial hypercholesterolemia. First filings for regulatory approval in the US and Europe will occur during 2011. Combining their patent estate together with that of Alnylam Pharmaceuticals, Isis has established Regulus, a private company seen as the worldwide leader in the field of microRNA. Isis owns more than 45% of this joint venture.



FACTS & FIGURES

Market capitalization 12/31/10: USD 1.0 bn
 Revenues 2010*: USD 104 mn
 Net loss 2010*: USD 71 mn

*Estimates
 Source chart: Datastream



FACTS & FIGURES

Market capitalization 12/31/10: CHF 623 mn

Revenues 2010: CHF 116 mn

Net profit 2010: CHF 108 mn



FACTS & FIGURES

Market capitalization 12/31/10: USD 355 mn

Revenues 2010: USD 311 mn

Net loss 2010: USD 10 mn



FACTS & FIGURES

Market capitalization 12/31/10: USD 368 mn

Revenues 2010*: USD 14 mn

Net loss 2010*: USD 48 mn

*Estimates

Source chart: Datastream

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Basilea Pharmaceutica

Basilea is developing and marketing drugs for the treatment of bacterial and fungal infections as well as marketing Toctino for severe forms of hand eczema. Toctino, the company's first approved drug, was launched in fall 2008 in the EU for the treatment of severe hand eczema. The US Phase III study is ongoing and expected to report clinical results by late 2011. Ceftobiprole, a novel cephalosporin active against methicillin-resistant staph aureus (MRSA), failed to gain US FDA approval in December 2009. Basilea and Johnson & Johnson initiated an arbitration panel that in November 2010 decided that Johnson & Johnson violated a license agreement between the two companies resulting in regulators rejecting the drug for the treatment of severe skin infections. Basilea received a USD 130 mn award including lost milestone payments, damages, and interest. The company's antifungal drug Isavuconazole suffered a significant development time delay due to manufacturing and quality issues, pushing initial Phase III results for the treatment of candida infections out to 2013. With the recent co-development deal with Astellas, most of the development costs for Isavuconazole are paid for by Astellas.

Affymetrix

Affymetrix specializes in systems for genetic analysis and clinical diagnostics. The company's GeneChip system employs microarray technology to detect genetic patterns in a highly efficient manner. The company has established itself as the clear technology leader in the chip array space. The product offering includes chips to measure gene expression levels (RNA arrays) or to identify single nucleotide polymorphisms (SNP) or gene copy numbers (DNA arrays), reagents, and the instrument platform used to measure the chip content. Affymetrix has acquired various companies to address technology gaps, potentially allowing it to address new markets. USB, a company focusing on lab chemistry and enzymes, has been acquired to allow Affymetrix to improve next generation arrays as was Panomics, a company developing a bead-based coded array technology. Both technologies allow the company to build the next generation products, which are being combined with a new device platform. These latest offerings allow for higher automation and convenience in genetics research labs. Additionally, an increase in content is possible at competitive prices as well as increased flexibility enabling, for example, targeted genotyping. The company's recent shift towards validation and clinical testing addresses new markets supporting the company's growth prospects for the coming years.

Idenix Pharmaceuticals

Idenix is focused on developing small molecule drugs for hepatitis and HIV. As of December 2010, Novartis owns 43% of Idenix and has the option to license any of Idenix's compounds after proof of concept data are generated. The first two products licensed by Novartis were Telbivudine for hepatitis B and NM283 for hepatitis C. While Telbivudine received approval in the US and Europe in 2006–2007, sales have been disappointing as the product's profile is not competitive. In addition, nucleoside polymerase inhibitor NM283 was dropped in Phase II due to toxicity and modest efficacy. Idenix has since created a portfolio of additional compounds for hepatitis C and will have generated a lead compound from each key class of agents by the end of 2011, putting it in a strong position to participate in the race to develop an all-oral, interferon-sparing regimen. The lead compound is nucleoside polymerase inhibitor IDX184. Initial data from a Phase IIa trial were promising, but the drug was placed on clinical hold in September 2010 following unexpected toxicity seen in a combination study with its protease inhibitor IDX320. We believe that the FDA will remove the hold on IDX184 early in 2011, after which we expect the start of Phase IIb trials and the addition of a partner.

Intercell

Intercell is an Austrian biotech company specialized in developing vaccines to combat infectious diseases with a great unmet medical need. Intercell has a vaccine (IXIARO) on the market for the prevention of Japanese encephalitis, a rare but very serious disease transmitted by mosquitoes which is mainly prevalent in Asian countries. The product is marketed by Intercell's partner, Novartis. Intercell is also engaged in a strategic alliance with GlaxoSmithKline to develop a patch vaccine platform. After a setback in the development of a traveller's diarrhea vaccine, the new focus of the company is on vaccines preventing nosocomial infections. After showing a surprising survival benefit in their pseudomonas trial, Intercell is waiting on their partner Novartis to opt-in on that program in the first quarter of 2011. Also in 2011 the results of the Phase II/III trial of their staphylococcus aureus vaccine are expected to be presented. Intercell's partner, Merck, is running the study and would also be responsible for the marketing of that vaccine.

Cosmo Pharmaceuticals

Cosmo Pharmaceuticals is an Italian-based speciality pharmaceutical company focusing on the development of optimized therapies for selected gastro-intestinal diseases. The company's proprietary clinical development pipeline specifically addresses innovative treatments for inflammatory bowel diseases (IBD), such as ulcerative colitis and Crohn's disease, as well as for colon infections and selected topically treated skin disorders. Cosmo's lead product Lialda, the first product based on the drug delivery technology, was launched into the US market by Shire Pharmaceuticals in 2007. The royalty income from Lialda allows the company to develop the clinical stage programs and still retain profitability. Budesonide, the company's key pipeline project, is being developed for the treatment of mild to moderate ulcerative colitis. Cosmo reported positive clinical data from both the US and the EU Phase III study, with the EU filing expected in the first half of 2011 followed by the US submission in the second half of 2011. Budesonide is licensed to Santarus for the US market and to Ferring for all other territories. Additional pipeline projects include reformulated Rifamycin for the treatment of traveller's diarrhea and Clostridium difficile, which is in an earlier stage of development. Cosmo has strengthened its balance sheet substantially through the acquisition of BioXell, an Italian-based biotechnology company.

Probiodrug

Probiodrug is a private biopharmaceutical company focused on the development of innovative small molecule drugs for the treatment of neuronal and inflammatory diseases. Probiodrug is located in Halle, Germany, and operates a subsidiary in Munich. The company was founded in 1997, and pioneered the field of DPP4 inhibition for the treatment of type 2 diabetes. Probiodrug sold its DPP4 franchise to OSI Pharmaceuticals in 2004. The company now holds a dominant position in the area of glutaminy cyclase (QC) inhibition, an enzyme emerging with a crucial role in the pathogenesis of Alzheimer's disease (AD). The role of QC in AD and other inflammatory diseases was discovered and is comprehensively IP protected by Probiodrug. Probiodrug's pioneering scientific approach targeting QC in AD has the potential to bring a breakthrough treatment to this therapeutic area of great unmet need. 2011 will be a transformative year for Probiodrug as it plans to take its lead compound into Phase I clinical testing.

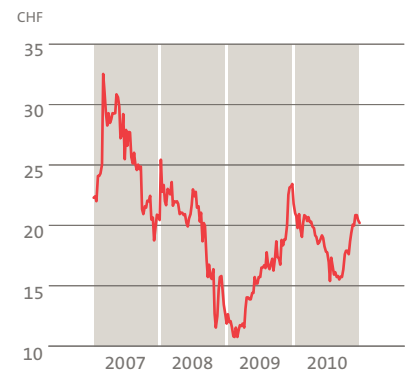


FACTS & FIGURES

Market capitalization 12/31/10: EUR 564 mn

Revenues 2010*: EUR 34 mn

Net loss 2010*: EUR 160 mn



FACTS & FIGURES

Market capitalization 12/31/10: CHF 300 mn

Revenues 2010*: CHF 58 mn

Net profit 2010*: CHF 17 mn

FACTS & FIGURES

Unlisted company

*Estimates

Source chart: Datastream

Consolidated balance sheet as at December 31
(in CHF 1 000)

Assets	Notes	2010	2009	Liabilities and shareholders' equity	Notes	2010	2009
Current assets				Current liabilities			
Liquid funds		23 477	44 436	Short-term borrowings from banks	5	140 000	–
Receivables from brokers		18 672	67	Payables to brokers		1 365	2 612
Marketable securities at fair value through profit or loss	4	1 327 312	1 463 382	Marketable securities at fair value through profit or loss	4	20	400
Other assets		5 445	5 444	Other short-term liabilities	6	666	816
		1 374 906	1 513 329	Tax accrual		98	798
						142 149	4 626
Fixed assets				Shareholders' equity			
Other assets		2 073	7 518	Share capital	8	18 225	18 225
				Treasury shares	8	(208 026)	(137 254)
		2 073	7 518	Additional paid-in capital	8	445 957	450 805
				Retained earnings		978 674	1 184 445
						1 234 830	1 516 221
Total assets	16	1 376 979	1 520 847	Total liabilities and shareholders' equity		1 376 979	1 520 847
Net asset value per share in CHF		81.05	92.35				

The notes on pages 34 to 51 are an integral part of these consolidated financial statements.

On February 14, 2011, BB Biotech AG's Board of Directors authorised these consolidated financial statements for issue.

**Consolidated statement of comprehensive
income for the year ended December 31**
(in CHF 1 000)

	Notes	2010	2009
Operating income			
Gains from marketable securities	4	–	52 067
Interest income		68	132
Dividend income		1 488	866
Foreign exchange gains net		–	1 159
Other income		22	69
		1 578	54 293
Operating expenses			
Losses from marketable securities	4	129 630	–
Finance expenses		6 039	5 640
Foreign exchange losses net		2 957	–
Administrative expenses	9	4 962	5 918
Other expenses	10	4 284	5 303
		147 872	16 861
Operating income before tax	12	(146 294)	37 432
Tax expenses	7	(54)	(806)
Net gain/(loss) for the year		(146 348)	36 626
Total comprehensive income for the year		(146 348)	36 626
Gain/(loss) and diluted gain/(loss) per share in CHF	11	(9.27)	2.21
Average outstanding shares	11	15 794 606	16 554 719

The notes on pages 34 to 51 are an integral part of these consolidated financial statements.

**Consolidated statement of changes
in equity for the year ended December 31**
(in CHF 1 000)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total
Balances at January 1, 2008	22 500	(257 479)	853 536	1 148 598	1 767 155
Dividend	–	–	–	(16 467)	(16 467)
Capital reduction	(2 250)	189 364	(187 114)	–	–
Trade with treasury shares (incl. balance change)	–	(267 880)	(17 732)	–	(285 612)
Liability from options	–	–	1 085	–	1 085
Effect of early conversion of convertible bond	–	–	(6 705)	–	(6 705)
Total comprehensive income for the year	–	–	–	45 353	45 353
Balances at December 31, 2008	20 250	(335 995)	643 070	1 177 484	1 504 809
Balances at January 1, 2009	20 250	(335 995)	643 070	1 177 484	1 504 809
Dividend	–	–	–	(29 665)	(29 665)
Capital reduction	(2 025)	169 521	(167 496)	–	–
Trade with treasury shares (incl. balance change)	–	29 220	(24 769)	–	4 451
Total comprehensive income for the year	–	–	–	36 626	36 626
Balances at December 31, 2009	18 225	(137 254)	450 805	1 184 445	1 516 221
Balances at January 1, 2010	18 225	(137 254)	450 805	1 184 445	1 516 221
Dividend	–	–	–	(59 423)	(59 423)
Trade with treasury shares (incl. balance change)	–	(70 772)	(4 848)	–	(75 620)
Total comprehensive income for the year	–	–	–	(146 348)	(146 348)
Balances at December 31, 2010	18 225	(208 026)	445 957	978 674	1 234 830

The notes on pages 34 to 51 are an integral part of these consolidated financial statements.

**Consolidated statement of
cash flow for the year ended December 31**
(in CHF 1 000)

	Notes	2010	2009
Cash flows from operating activities			
Proceeds from sales of securities	4	360 882	422 198
Purchase of securities	4	(375 123)	(243 855)
Dividend receipts		1 488	866
Interest receipts		68	153
Interest payments		(594)	(84)
Payments for services		(9 378)	(11 224)
Taxes paid	7	(754)	(216)
Total cash flows from operating activities		(23 411)	167 838
Cash flows from financing activities			
Dividend payment		(59 423)	(29 665)
Interest payment convertible bond BB Biotech		–	(6 738)
Proceeds from sales of treasury shares and derivatives on treasury shares		25 332	78 227
Purchase of treasury shares and derivatives on treasury shares		(100 500)	(78 839)
Borrowing/(Repayment) of loans		140 000	–
Repayment convertible bond BB Biotech		–	(100 000)
Total cash flows from financing activities		5 409	(137 015)
Foreign exchange difference		(2 957)	1 159
Increase/(decrease) in cash and cash equivalents		(20 959)	31 982
Cash and cash equivalents at the beginning of the year		44 436	12 454
Cash and cash equivalents at the end of the year		23 477	44 436
Liquid funds		23 477	44 436
Cash and cash equivalents at the end of the year		23 477	44 436

The notes on pages 34 to 51 are an integral part of these consolidated 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

2. Accounting policies

General

The consolidated financial statements of the Company and its subsidiary companies (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the provisions of the rules of the SIX Swiss Exchange for Investment Companies. The consolidation is prepared from the audited financial statements of the Group companies using uniform accounting principles. With the exception of financial assets and liabilities (including derivative instruments), which are held at fair value through profit or loss, the financial statements are prepared under the historical cost convention. This requires management to make assumptions and estimates that have an impact on the balance sheet values and items of the income statement in the current financial year. In certain circumstances, the actual values may diverge from these estimates.

New IFRS standards and interpretations

The following new standards and interpretations, valid since January 1, 2010, have been applied in these annual consolidated financial statements:

- IFRS 1 (amended, effective January 1, 2010) – First-time adoption of IFRS
- IFRS 2 (amended, effective January 1, 2010) – Share-based payments
- IFRS 3 (revised, effective July 1, 2009) – Business combinations and IAS 27 (revised)
– Consolidated and separate financial statements
- IAS 39 (amended, effective July 1, 2009) – Financial instruments, “Eligible hedged items”
- IFRIC 17 (effective July 1, 2009) – Distributions of non-cash to owners
- IFRIC 18 (effective July 1, 2009) – Transfers of assets from customers

There are no effects and changes in the accounting policies due to the adoption of above mentioned 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, 2011, and were not early adopted in these financial statements:

- IFRS 9 (effective January 1, 2013) – *Financial instruments*
- IAS 24 (amended, effective January 1, 2011) – *Related party transactions*
- IAS 32 (amended, effective February 1, 2010) – *Financial instruments: Presentation*
- IFRIC 14 (amended, effective January 1, 2011) – *Prepayments of a minimum funding requirement*
- IFRIC 19 (effective July 1, 2010) – *Extinguishing financial liabilities with equity instruments*

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. The Group will adopt the above mentioned standards and interpretations from annual periods beginning January 1, 2011.

Basis of consolidation

The consolidated financial statements include the Company and the subsidiary companies which are controlled by it. Control is the power to govern the financial and operating policies generally defined as ownership, either directly or indirectly, of more than 50% of the voting rights of a company's share capital. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases. The consolidation is performed using the purchase method. All intercompany transactions and balances with companies included in the consolidation are eliminated. All Group companies have a December 31 year-end.

Foreign currency translation

Based on the economical environment in which the Company and its subsidiaries operate, the consolidated financial statements of the Group are presented in Swiss Francs, which is the Group's functional and presentation currency. Transactions in foreign currencies are converted at exchange rates as at transaction dates. Assets and liabilities in foreign currencies at year-end are translated at rates of exchange prevailing as at the balance sheet date. Exchange differences are reflected in the statement of income. Translation differences on marketable securities held at fair value through profit or loss are reported as part of the net gains/(losses) from marketable securities.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and call money at banks and are stated at the notional amount as this is a reasonable approximation of fair value.

Receivables/payables against brokers

Receivables/payables against brokers result from security transactions and do not bear any interest. These are stated at the carrying amount as this is a reasonable approximation of fair value.

Marketable securities

Marketable securities consist of securities and derivatives and are designated at fair value through profit or loss. Initially securities and derivatives are valued at fair value and are subsequently remeasured at market values based on stock exchange prices or generally accepted valuation models that are based on market conditions existing at each balance sheet date, such as Black-Scholes, earnings multiple and discounted cash flow model. Purchases and sales of marketable securities are accounted for at trade date. Realized gains and losses on security trading are recognized in the statement of income as net realized gains/losses from marketable securities at the day of the transaction. Changes in fair value of securities are recognized as net unrealized gains/losses from marketable securities in the statement of income in the period in which they arise. Marketable securities are derecognized when the rights to receive cash flows from marketable securities have expired or where the Group has transferred substantially all risks and rewards of ownership. Based on the exemption in IAS 28 for venture capital organizations, mutual funds and similar entities investments in associates are treated in accordance with IAS 39.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss as well as loans and receivables.

Financial assets at fair value through profit or loss comprise marketable securities which are classified as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise cash and cash equivalents, receivables against brokers and other assets.

Taxes

Taxes are calculated based on reported income and include taxes on capital. Such taxes are calculated in accordance with the tax regulations in force in each country.

The Group provides for deferred taxes using the liability method for items reported in different periods for financial statements and income tax purposes. Tax loss carry-forwards are only recorded if there is assurance that future taxable income will be sufficient to allow the benefit of the loss to be realized. Deferred tax balances are adjusted for subsequent changes in tax rates or for new taxes imposed.

Earnings per share

Basic earnings per share are calculated by dividing the net profit/loss attributable to shareholders by the weighted average number of registered shares in issue during the year, less treasury shares. For the diluted earnings per share, the weighted average number of registered shares in issue and the net profit is adjusted to assume conversion of all dilution potential registered shares. The potential registered shares include all registered shares, which will be issued by exercising warrants or options.

Short-term borrowings from banks

Short-term borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Convertible bond issued

The fair value of the liability portion of a convertible bond is determined using market interest rates for an equivalent non-convertible bond. This amount is recorded as liability on an amortized cost basis until extinguished on conversion or maturity of the bond. The remainder is allocated to the conversion component which is included in the shareholders' equity. The issuing costs are allocated to the debt and equity component relative to their proportions.

In order to cover its delivery commitment under the mandatory convertible bond, the Company has acquired 1.11 mn call options with a strike of CHF 5.30 (dividend adjusted), maturity January 6, 2009. The call options, in conjunction with the delivery commitment, were recognized in equity. The present value of the payment due at maturity in conjunction with the exercise of the call options was reported in the balance sheet under the heading "Liability from options."

Treasury shares

Treasury shares and derivative instruments on treasury shares are deducted from shareholders' equity. On the other hand, a short position of treasury shares increases shareholders' equity. All profits and losses arising from trading in treasury shares are directly credited/debited to additional paid-in capital. Treasury shares may be acquired and held by the Company or by other members of the consolidated Group.

Net asset value per share

The net asset value per share is calculated by dividing the shareholders' equity by the number of shares outstanding less treasury shares held. For the diluted net asset value per share, the number of treasury shares is adjusted to assume conversion of all dilution potential registered shares. The potential registered shares include all registered shares, which will be issued by exercising warrants or options.

Dividend income

Dividends on marketable securities are recognized in the income statement when the Group's right to receive payment is established.

Commitments, contingencies and other off-balance sheet transactions

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary.

Critical accounting estimates and judgments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group makes estimates and assumptions that are mainly based on market conditions to value these financial instruments. Since these financial instruments are not traded in an active market, inherent difficulties exist to value these financial instruments. These difficulties cannot be eliminated. The difference between the proceeds from sale of these financial instruments and the carrying amount can be material.

3. Changes in companies consolidated

There have been no changes in the Group companies consolidated in comparison to the prior year.

4. Marketable securities

Marketable securities comprise the following:

Company	Number 12/31/2009	Change to 12/31/2009	Number 12/31/2010	Market price in original currency		Valuation CHF mn 12/31/2010	Valuation CHF mn 12/31/2009
Actelion	7 500 000	(2 557 557)	4 942 443	CHF	51.20	253.1	414.0
Celgene	4 364 439	(132 400)	4 232 039	USD	59.14	233.8	251.6
Gilead	5 614 768	(100 000)	5 514 768	USD	36.24	186.7	251.5
Vertex Pharmaceuticals	4 809 108	208 300	5 017 408	USD	35.03	164.2	213.4
Novo Nordisk	920 506	(80 000)	840 506	DKK	629.00	88.5	60.9
Incyte	2 686 866	1 313 134	4 000 000	USD	16.56	61.9	25.3
Micromet	2 983 725	3 510 518	6 494 243	USD	8.12	49.3	20.6
Immunogen	–	3 924 778	3 924 778	USD	9.26	33.9	0.0
Halozyne Therapeutics	–	4 004 758	4 004 758	USD	7.92	29.6	0.0
Amylin Pharmaceuticals	–	1 897 255	1 897 255	USD	14.71	26.1	0.0
Amgen	500 000	–	500 000	USD	54.90	25.6	29.3
Alexion Pharmaceuticals	–	325 000	325 000	USD	80.55	24.5	0.0
Biomarin Pharmaceutical	–	962 583	962 583	USD	26.93	24.2	0.0
Optimer Pharmaceuticals	883 549	1 164 454	2 048 003	USD	11.31	21.6	10.3
Bavarian Nordic	–	521 910	521 910	DKK	245.00	21.4	0.0
Genzyme	406 600	(104 600)	302 000	USD	71.20	20.1	20.6
Isis Pharmaceuticals	–	1 789 762	1 789 762	USD	10.12	16.9	0.0
Basilea Pharmaceutica	200 000	(12 909)	187 091	CHF	65.00	12.2	12.9
Affymetrix	2 000 000	–	2 000 000	USD	5.03	9.4	12.1
Idenix Pharmaceuticals	–	1 848 269	1 848 269	USD	5.04	8.7	0.0
Intercell	–	500 000	500 000	EUR	11.60	7.2	0.0
Cosmo Pharmaceuticals ¹⁾	–	102 525	102 525	CHF	20.00	2.1	0.0
Zymogenetics	6 000 000	(6 000 000)	–	USD	0.00	0.0	39.7
Roche Holding GS	150 000	(150 000)	–	CHF	0.00	0.0	26.4
Arena Pharmaceuticals	5 431 980	(5 431 980)	–	USD	0.00	0.0	20.0
Biogen Idec	250 000	(250 000)	–	USD	0.00	0.0	13.8
Elan	1 500 000	(1 500 000)	–	USD	0.00	0.0	10.1
NicOx	1 000 000	(1 000 000)	–	EUR	0.00	0.0	8.6
Epigenomics	945 000	(945 000)	–	EUR	0.00	0.0	4.9
BioXell	487 194	(487 194)	–	CHF	0.00	0.0	3.7
Keryx Biopharmaceuticals	701 811	(701 811)	–	USD	0.00	0.0	1.8
Clinuvel	1 296 006	(1 296 006)	–	AUD	0.00	0.0	0.3
Listed shares						1 321.0	1 451.9
Probiodrug	1 858 736	–	1 858 736	EUR	2.69	6.2	7.4
Unlisted shares						6.2	7.4
Total shares						1 327.2	1 459.3
3% Convertible Bond Deutsche Bank London – 05/18/2012 ²⁾	3 525 730	(3 525 730)	–	CHF	0.00	0.0	2.7
Total bonds						0.0	2.7

1) Exchange from shares BioXell due to the acceptance of the public tender offer

2) Convertible into registered shares BB Biotech AG

Company	Number 12/31/2009	Change to 12/31/2009	Number 12/31/2010	Market price in original currency		Valuation CHF mn 12/31/2010	Valuation CHF mn 12/31/2009
Derivative instruments							
(share, type, strike price, expiration date, conversion ratio)							
Cosmo, put option, CHF 21, 12/31/2011, 1:1	–	102 525	102 525	CHF	1.70	0.2	0.0
SWAP Agreement BB Biotech AG, 05/18/2012	1	–	1	CHF	–	<0.1	1.3
Celgene, call option, USD 65, 01/21/2011, 1:1	–	(300 000)	(300 000)	USD	0.07	<(0.1)	0.0
Basilea, put option, CHF 68.00, 03/19/2010, 1:1	(50 000)	50 000	–	CHF	0.00	0.0	(0.4)
Total derivative instruments						0.2	0.9
Total securities						1 327.3	1 463.0
				USD 1 =	CHF	0.93405	1.03535
				EUR 1 =	CHF	1.24960	1.48295
				AUD 1 =	CHF	0.95535	0.93145
				DKK 100 =	CHF	16.74550	19.92950

The marketable securities are deposited with Credit Suisse, Zurich, Luzerner Kantonalbank, Lucerne, Deutsche Bank, Frankfurt, as well as Bank am Bellevue, Küsnacht.

Investment decisions have been delegated to Asset Management BAB N.V., Curaçao.

Change in value by investment category from January 1, 2009, to December 31, 2009

(incl. securities short, in CHF 1 000)

	Listed shares	Bonds	Derivative instruments	Unlisted shares	Total
Opening balance as at 01/01/2009					
at fair values	1 586 880	–	438	–	1 587 317
Purchases	222 126	2 226	13 958	7 554	245 863
Sales	(369 654)	–	(52 610)	–	(422 263)
Reclassification ¹⁾	(691)	–	691	–	–
Realized gains	29 765	–	39 862	–	69 627
Realized losses	(11 491)	–	(1 080)	–	(12 571)
Unrealized gains	109 006	432	–	–	109 438
Unrealized losses	(113 964)	–	(324)	(139)	(114 427)
Net gains/(losses) from marketable securities	12 625	432	39 149	(139)	52 067
Closing balance as at 12/31/2009					
at fair values	1 451 976	2 658	934	7 415	1 462 982

- 1) Exercise (250 000) call options Genentech, USD 89, 03/20/2009, 1:1
Exercise (196 600) call options Vertex, USD 36, 07/31/2009, 1:1

Change in value by investment category from January 1, 2010, to December 31, 2010

(incl. securities short, in CHF 1 000)

	Listed shares	Bonds	Derivative instruments	Unlisted shares	Total
Opening balance as at 01/01/2010 at fair values	1 451 976	2 658	934	7 415	1 462 982
Purchases	370 330	–	3 096	–	373 426
Sales	(373 633)	(2 533)	(3 320)	–	(379 487)
Reclassification ¹⁾	(751)	–	751	–	–
Realized gains	30 095	–	1 255	–	31 350
Realized losses	(68 654)	(124)	(1 471)	–	(70 249)
Unrealized gains	70 120	–	452	–	70 572
Unrealized losses	(158 603)	–	(1 534)	(1 167)	(161 303)
Net gains/(losses) from marketable securities	(127 792)	(124)	(547)	(1 167)	(129 630)
Closing balance as at 12/31/2010 at fair values	1 320 881	–	163	6 248	1 327 292

1) Exercise (200 000) put options Vertex Pharmaceuticals, USD 35.50, 07/16/2010, 1:1

5. Short-term borrowings from banks

At December 31, 2010, CHF 140 mn short-term loans are claimed, CHF 115 mn at 0.60% p.a. and CHF 25 mn at 0.63% p.a. (December 31, 2009: none).

6. Other short-term liabilities

(in CHF 1 000)

Other short-term liabilities comprise the following:

	12/31/2010	12/31/2009
Payables to the asset manager	–	37
Payables to the Board of Directors	91	113
Payables to the market maker	46	26
Total liabilities to related parties	137	176
Other liabilities	529	640
Total liabilities to third parties	529	640
	666	816

Liabilities to related parties represent unpaid fees, commissions as well as administration and legal costs.

7. Taxes

In the current year the average effective income tax rate on a consolidated basis was less than 1% (2009: <2%). This low rate is mainly attributable to the fact that the biggest part of income was realized by companies situated in Curaçao (offshore companies). No provisions for deferred taxes are needed.

As at December 31, 2010, there is no nettable loss carry forward (2009: none).

8. Shareholders' equity

The share capital of the Company consists of 18.23 mn fully paid registered shares (2009: 18.23 mn registered shares) with a par value of CHF 1 each (2009: CHF 1). CHF 3.6 mn of the additional paid-in capital (2009: CHF 3.6 mn) are undistributable.

	Par value per share in CHF	Nominal value of the share capital in CHF 1 000	Number of shares	Treasury shares number	Outstanding shares number
January 1, 2009	1	20 250	20 250 000	3 922 417	16 327 583
Capital reduction		(2 025)	(2 025 000)	(2 025 000)	
Purchases of treasury shares at an average price of CHF 72.02				1 023 217	(1 023 217)
Sales of treasury shares at an average price of CHF 70.51				(1 109 475)	1 109 475
December 31, 2009	1	18 225	18 225 000	1 811 159	16 413 841
January 1, 2010	1	18 225	18 225 000	1 811 159	16 413 841
Purchases of treasury shares at an average price of CHF 65.30				1 546 003	(1 546 003)
Sales of treasury shares at an average price of CHF 68.07				(372 165)	372 165
December 31, 2010	1	18 225	18 225 000	2 984 997	15 240 003

As at December 31, 2010, there exists an authorized capital of CHF 9.1 mn (2009: CHF 9.1 mn) as well as a conditional capital of CHF 9.1 mn (2009: CHF 9.1 mn). The conditional capital consists of a tranche of CHF 4.55 mn in order to the exercise of option bond rights and a tranche of CHF 4.55 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.

At the General Shareholders' Meeting held March 30, 2009, a resolution was approved to reduce the Company's share capital by CHF 2 025 000 to a current level of CHF 18 225 000. On June 16, 2009, 2 025 000 registered shares at a par value of CHF 2 025 000 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 reductions had no impact whatsoever on the net asset value of the Group.

The principal activity of the Group is to invest in marketable securities for the purpose of capital appreciation.

9. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	2010	2009
Fund manager		
– Fixed fees portion	4 490	5 351
Board of Directors remuneration		
– Fixed fees portion	449	535
– Social security employer's contribution	24	32
	4 962	5 918

Detailed information regarding the remuneration model for the Board of Directors and the asset manager are mentioned under note 17 "Related party transactions."

10. Other expenses

(in CHF 1 000)

Other expenses comprise the following:

	2010	2009
Bank charges	1 205	1 793
Financial reporting and Annual General Meeting	1 683	2 180
Other expenses	1 395	1 331
	4 284	5 303

11. Earnings per share

	2010	2009
Total comprehensive year for the period (in CHF 1 000)	(146 348)	36 626
Weighted average number of shares in issue	15 794 606	16 554 719
Gain/(loss) and diluted gain/(loss) per share in CHF	(9.27)	2.21

At December 31, 2010, there were no potential issues of registered shares which would lead to a dilution (2009: none).

12. 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:

Operating income before tax	2010	2009
Denmark	38 953	13 149
Australia	(37)	412
Italy	(350)	324
Ireland	(1 827)	497
Germany	(3 623)	(4 093)
France	(4 608)	526
Great Britain	(5 569)	432
Curaçao	(5 909)	(7 097)
Austria	(20 638)	–
Switzerland	(45 001)	(14 047)
USA	(97 685)	47 329
	(146 294)	37 432

13. Assets pledged

The securities are a collateral for credit lines of CHF 350 mn (2009: CHF 350 mn). At December 31, 2010, CHF 140 mn short-term loans are claimed (2009: none).

14. Commitments, contingencies and other off-balance sheet transactions

The Group had no commitments or other off-balance sheet transactions open at December 31, 2010 (2009: none).

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 December 31, 2010, no proceedings existed which could have any effect on the financial position of the Group (2009: none).

15. Financial risk management

Within the framework of the law, articles of incorporation and regulations, the investment management can carry out currency and marketable security forward transactions, buy, sell and make use of options as well as fulfill all necessary obligations that result from these businesses, and especially arrange all necessary security.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amount in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The Group maintains business relations only with counterparties with a high credit rating. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Other assets consist of prepayments. The Group's credit positions, if any, are monitored on a daily basis by the asset manager and are reviewed on a monthly basis by the Board of Directors.

Market risks

Risk associated with changing market prices

Due to its business activity and the resulting high portion of marketable securities in relation to total assets, the Group is exposed to market price risk arising from uncertainties and fluctuations on the financial and foreign exchange markets.

The Group participates partially, but to a substantial extent, in the capital of its investments. In the case of sales of large parts of these investments, its influence of the market price is possible. The Group's marketable securities positions are monitored on a daily basis by the asset manager and are reviewed on a monthly basis by the Board of Directors.

The annual volatility of registered shares BB Biotech AG (reference volatility for the marketable securities) for 2010 is 17.16% (2009: 26.41%). At December 31, 2010, had the value of marketable securities increased or decreased by 17.16% (December 31, 2009: 26.41%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 227.8 mn (2009: CHF 386.4 mn).

The unlisted shares are valued using the earnings multiple model. The underlying market risk variable is the price earnings multiple. At December 31, 2010, a change in the price earnings multiple of +/- 1 would increase or decrease the net income/loss as well as shareholders' equity by CHF 0.1 mn (2009: CHF 0.1 mn).

Interest risk

Interest rates on liquid funds are based on market rates. The funds are due at sight.

Short-term borrowings from banks, if any, are on current and short-term loan accounts with interest based at market rates. Due to the high level of own funds, the effect of interest payable on the statement of income is insignificant. The majority of the Group's marketable securities are non-interest bearing; as a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The Group's interest sensitivity is monitored on a daily basis by the asset manager and reviewed on a monthly basis by the Board of Directors.

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. Since January 1, 2009, the Group uses foreign currency options to reduce the currency risk.

The following transactions in derivative instruments were done in 2009 to reduce the currency risk:

Financial instruments	Contract value purchases 2009	Contract value sales 2009	Open positions at balance sheet date	Maturity	Market value 12/31/2009
Foreign currency options					
USD call options	–	(400 000 000)	–	n.a.	–
USD put options	400 000 000	(400 000 000)	–	n.a.	–

In 2010, no transactions in derivative instruments were done to reduce the currency risk.

The following tables summarize the Group's exposure to currency risks.

Concentration of assets and liabilities under US Dollar (in CHF 1 000):

	2010	2009
Assets		
Liquid funds	2 952	10 721
Receivables from brokers	3 715	67
Marketable securities	936 427	920 183
Liabilities		
Payables to brokers	311	1 349
Marketable securities	20	–
Other short-term liabilities	–	21
Total	942 763	929 601

The annual volatility of USD/CHF for 2010 amounts to 10.61% (2009: 12.82%). At December 31, 2010, had the exchange rate between USD/CHF increased or decreased by 10.61% (2009: 12.82%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 100.0 mn (2009: CHF 119.2 mn).

Concentration of assets and liabilities under Danish Krone (in CHF 1 000):

	2010	2009
Assets		
Liquid funds	207	3 093
Marketable securities	109 942	60 906
Liabilities		
Payables to brokers	–	659
Total	110 149	63 340

The annual volatility of DKK/CHF for 2010 amounts to 8.67% (2009: 6.18%). At December 31, 2010, had the exchange rate between DKK/CHF increased or decreased by 8.67% (2009: 6.18%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 9.5 mn (2009: CHF 3.9 mn).

Concentration of assets and liabilities under Euro (in CHF 1 000):

	2010	2009
Assets		
Liquid funds	10 751	1 497
Marketable securities	13 496	20 989
Liabilities		
Other short-term liabilities	5	–
Total	24 242	22 486

The annual volatility of EUR/CHF for 2010 amounts to 8.65% (2009: 6.14%). At December 31, 2010, had the exchange rate between EUR/CHF increased or decreased by 8.65% (2009: 6.14%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 2.1 mn (2009: CHF 1.4 mn).

The Group's currency position is monitored on a daily basis by the asset manager and is reviewed on a monthly basis by the Board of Directors.

Liquidity risk

The Group invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Group's treasury shares, with the exception of shares purchased under a share-buy-back program, are considered readily realizable as they are listed on various stock exchanges. The Group invests a minor part of its portfolio in marketable securities, which are not traded on a stock exchange and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these instruments.

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date (in CHF 1 000):

At December 31, 2009	Less than 1 month	1–3 months	More than 3 months / no stated maturity
Payables to brokers	2 612	–	–
Other short-term liabilities	397	419	–
Marketable securities short	–	400	–
Tax accrual	–	–	798
Total liabilities	3 009	819	798
At December 31, 2010	Less than 1 month	1–3 months	More than 3 months / no stated maturity
Short-term borrowing from banks	140 000	–	–
Payables to brokers	1 365	–	–
Other short-term liabilities	306	360	–
Marketable securities short	20	–	–
Tax accrual	–	–	98
Total liabilities	141 691	360	98

The Group's liquidity position is monitored on a daily basis by the asset manager and is reviewed on a monthly basis by the Board of Directors.

Diversification

As a rule, the securities portfolio consists of four to eight core holdings as well as ten to 20 minor ones. The maximum share of companies without a stock market listing is 10 %.

As per December 31, 2010, the Group held four core investments, representing 63% (2009: 77%) of the portfolio. The portfolio is – in line with the strategy – concentrated on a limited number of investments. Risk diversification is therefore bounded.

Fair values

The following table presents the Group's assets and liabilities that are measured at fair value at December 31 (in CHF 1 000):

2009	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivative instruments	–	1 334	–	1 334
– Listed shares	1 451 976	–	–	1 451 976
– Listed bonds	2 658	–	–	2 658
– Unlisted shares	–	–	7 415	7 415
Total assets	1 454 634	1 334	7 415	1 463 383

Liabilities

Financial liabilities at fair value through profit or loss

– Derivative instruments	–	(400)	–	(400)
Total liabilities	–	(400)	–	(400)

2010	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivative instruments	–	183	–	183
– Listed shares	1 320 881	–	–	1 320 881
– Unlisted shares	–	–	6 248	6 248
Total assets	1 320 881	183	6 248	1 327 312

Liabilities

Financial liabilities at fair value through profit or loss

– Derivative instruments	–	(20)	–	(20)
Total liabilities	–	(20)	–	(20)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The options are valued on the basis of the Black-Scholes model which is based on market conditions existing at each balance sheet date. These instruments are included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The unlisted shares are valued using the earnings multiple model. The loss of 2009 and 2010 occurs due to foreign currency revaluation.

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

At December 31, 2009	Unlisted shares at fair value through profit or loss	Total
Opening balance	–	–
Purchases/proceeds	7 554	7 554
Loss	(139)	(139)
Closing balance	7 415	7 415
Total loss	(139)	(139)

At December 31, 2010	Unlisted shares at fair value through profit or loss	Total
Opening balance	7 415	7 415
Purchases	–	–
Proceeds	–	–
Loss	(1 167)	(1 167)
Closing balance	6 248	6 248
Total loss	(1 167)	(1 167)

As at December 31, 2010, and December 31, 2009, the values in the balance sheet of liquid funds, other assets, short-term borrowings from banks and other short-term liabilities correspond to fair values because of their short-term maturity.

16. Financial assets and liabilities

Financial assets and liabilities are allocated to categories as follows (in CHF 1 000):

At December 31, 2009	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per balance sheet			
Liquid funds	44 436	–	44 436
Receivables from brokers	67	–	67
Marketable securities	–	1 463 382	1 463 382
Other assets	12 962	–	12 962
	57 465	1 463 382	1 520 847

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Payables to brokers	–	2 612	2 612
Other short-term liabilities	–	816	816
Marketable securities short	400	–	400
	400	3 428	3 828

At December 31, 2010	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per balance sheet			
Liquid funds	23 477	–	23 477
Receivables from brokers	18 672	–	18 672
Marketable securities	–	1 327 312	1 327 312
Other assets	7 518	–	7 518
	49 667	1 327 312	1 376 979

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Short-term borrowings from banks	–	140 000	140 000
Payables to brokers	–	1 365	1 365
Other short-term liabilities	–	666	666
Marketable securities short	20	–	20
	20	142 031	142 051

Profit and loss from financial assets and liabilities are allocated to categories as follows (in CHF 1 000):

2009	Loans and receivables	Financial instruments at fair value through profit or loss	Other financial liabilities	Total
Profit and loss from financial instruments				
Gain from marketable securities	–	52 067	–	52 067
Finance income	132	–	–	132
Dividend income	–	866	–	866
Foreign exchange gains net	1 159	–	–	1 159
Finance expenses	–	–	5 640	5 640
2010				
	Loans and receivables	Financial instruments at fair value through profit or loss	Other financial liabilities	Total
Profit and loss from financial instruments				
Finance income	68	–	–	68
Dividend income	–	1 488	–	1 488
Losses from marketable securities	–	129 630	–	129 630
Finance expenses	–	–	6 039	6 039
Foreign exchange losses net	2 957	–	–	2 957

17. Related party transactions

Purchases and sales of shares traded in Switzerland are partly processed and settled via Bank am Bellevue AG. The transactions in question are based on common contractual forms in the sector and are concluded subject to market terms and conditions. In addition, Bank am Bellevue AG was mandated with a market making mandate. The commissions for these transactions amount to 0.2%. The administration and legal costs incurred at Bellevue Asset Management Group amounting to CHF 341 077 (2009: CHF 333 656) were charged to the BB Biotech Group. The amounts outstanding at the balance sheet date are disclosed in note 6 “Other short-term liabilities.”

The remuneration model of BB Biotech AG ensures that the interests of the shareholders, the asset managers 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. Detailed information about the remuneration to the Board of Directors are mentioned on page 57 under note 2.1 “Remuneration to the Board of Directors and the asset manager.”

Flat fee component:

This amounts to 0.4% of market capitalization annually and is calculated as at the end of each quarter pro rata temporis on the basis of the closing price of the stocks traded on the SIX Swiss Exchange.

Performance-related fee:

The performance-related fee is calculated quarterly and amounts to 0.19 % of the market value at the end of the previous period in the case of an increase in the stock price of 5 to 10% per annum (p.a.), an additional 0.25% in the case of an increase of 10 to 15 % p.a., and an additional 0.31 % in the case of an increase of 15 to 20 % p.a. The price basis or hurdle for the performance-related pay component rises after each quarter to the value on which the last performance-related pay component was paid, though by a minimum of 5 % p.a. and a maximum of 20 % p.a. The hurdles are calculated separately for each group of capital (i.e. the capital increases at different times and prices) from the day of their initial listing.

Because of the minimum/maximum performance and calculation being done over the lifetime, it can occur that the applicable market value at the end of a weak quarter is still above the price basis for a performance-related fee. Conversely, a period with above-average growth in the market value will not result in performance-related pay if the hurdles are not exceeded.

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

– 70.1 % of the shares	CHF 115.66
– 14.4 % of the shares	CHF 118.32
– 3.6 % of the shares	CHF 122.75
– 6.1 % of the shares	CHF 271.84
– 5.8 % of the shares	CHF 280.10

On March 29, 2010, a resolution was passed at the General Shareholders' Meeting to pay out a dividend of CHF 3.70 per registered share; the payout in question was made on April 7, 2010. Subsequently, the levels at which performance-related compensation is to be paid were also adjusted downward by CHF 3.70 as at March 31, 2010.

The remuneration model is determined by the Board of Directors and has not been amended since the Company was founded.

18. Significant shareholders

The Board of Directors is not aware of any major shareholders with a holding exceeding 3% of all votes as of December 31, 2010.

19. Partially mandatorily convertible bond issue

On January 6, 2009, the partially mandatorily convertible bond was repaid according to the terms of the prospectus. The repayment was made by paying CHF 100 mn in cash and by delivery of 1 172 304 registered shares BB Biotech AG. To cover the delivery commitment, BB Biotech AG exercised the outstanding call-options with a strike price of CHF 5.30 (dividend adjusted) on January 6, 2009.

20. Subsequent events

There have been no events subsequent to December 31, 2010, which would affect the financial statements 2010.

**Report of the statutory auditor
to the general meeting of
BB Biotech AG
Schaffhausen**

As statutory auditor, we have audited the consolidated financial statements of BB Biotech AG, which comprise the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flow and notes (pages 30 to 51), for the year ended December 31, 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), the Article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with the Article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange as well as Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Adrian Keller



Stephane Kremer

Zurich, February 14, 2011

Balance sheet as at December 31
(in CHF 1 000)

Assets	Notes	2010	2009	Liabilities and shareholders' equity	Notes	2010	2009
Current assets				Current liabilities			
Liquid funds		2 210	3 870	Other current liabilities			
Marketable securities		81 819	33 751	– Third parties		216	303
Other receivables				– Related parties		1 191	176
– Third parties		–	–	– Group companies		497 802	699 382
				Short-term borrowings from banks		115 000	–
		84 029	37 621	Accrued expenses		308	1 068
						614 517	700 929
Fixed assets				Shareholders' equity			
Financial fixed assets				Share capital		18 225	18 225
– Investments		1 177 070	1 177 070	Legal reserves			
				– General reserve		4 500	4 500
				– Reserve for treasury shares		208 026	137 254
				Other reserves		48 076	118 848
		1 177 070	1 177 070	Retained earnings	3	367 755	234 935
						646 582	513 762
Total assets		1 261 099	1 214 691	Total liabilities and shareholders' equity		1 261 099	1 214 691

On February 14, 2011, BB Biotech AG's Board of Directors authorized these financial statements for issue.

Statement of income for the year ended December 31
(in CHF 1 000)

	2010	2009
Operating income		
Dividend income	200 000	200 000
Gain from securities	–	11 352
Finance income	1	1
Other income	4 332	2 568
	204 333	213 921
Operating expenses		
Administrative expenses	473	567
Loss from securities	8 209	–
Finance expenses	561	537
Other expenses	2 830	3 192
	12 073	4 296
Operating income before tax	192 260	209 625
Taxes	(17)	(765)
Net income for the year	192 243	208 860

1. Notes in accordance with articles 663b, 663b^{bis} and 663c of the Swiss Code of Obligations

1.1 Guarantee

BB Biotech has provided a guarantee of CHF 350 mn to banks relating to credit lines granted to its subsidiaries (2009: CHF 350 mn).

At December 31, 2010, CHF 140 mn short-term loans are claimed, CHF 115 mn at 0.60% p.a. and CHF 25 mn at 0.63% p.a. (December 31, 2009: none). Marketable securities amounting to CHF 1 154.5 mn are pledged to secure those credits (2009: none).

1.2 Significant investments

Company	Capital in CHF 1000	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

The above mentioned companies hold shares in companies active in the biotechnology industry.

1.3 Treasury shares

	Amount of shares
Balance at January 1, 2010	1 811 159
Purchases at an average price of CHF 65.30	1 546 003
Sales at an average price of CHF 68.07	(372 165)
Balance at December 31, 2010	2 984 997

The treasury shares are partly held by BB Biotech AG, Schaffhausen, directly and indirectly through a wholly owned subsidiary.

At the General Shareholders' Meeting held March 30, 2009, a resolution was approved to reduce the Company's share capital by CHF 2 025 000 to a current level of CHF 18 225 000. On June 16, 2009, 2 025 000 shares at a par value of CHF 2 025 000 were withdrawn from the commercial register; the capital reduction has thus been concluded.

1.4 Capital increase

	12/31/2010 CHF 1 000	12/31/2009 CHF 1 000
Authorized capital	9 100	9 100
Conditional capital	9 100	9 100

The Board of Directors was authorized at the General Shareholders' Meeting on March 30, 2009, to increase the share capital by an authorized share capital increase of CHF 9.1 mn at most until March 29, 2011, and a conditional share capital increase of CHF 9.1 mn at most. Since the General Shareholders' Meeting 2009, the Board of Directors has not increased the share capital.

1.5 Information to the execution of a risk assessment

The Board of Directors performs annually a risk assessment of business risks. The identified risks are captured in the risk matrix and if necessary, safeguards to reduce these risks are documented. If the risk exposure after safeguards for a specific risk is still HIGH, an action plan to reduce the risk is prepared. HIGH rated risks are monitored on a regular basis. The chairman of the board is responsible for the risk assessment.

2. Other information

2.1 Remuneration to the Board of Directors and to the asset manager

The Board of Directors remuneration comprised the following (in CHF 1 000):

2009	Remuneration in cash	Social security employer's contribution	Total remuneration
Prof. Dr. med. Thomas Szucs, Chairman	193	17	210
Prof. Dr. David Baltimore, Vice Chairman	171	–	171
Dr. Clive Meanwell	171	15	186
	535	32	567
2010	Remuneration in cash	Social security employer's contribution	Total remuneration
Prof. Dr. med. Thomas Szucs, Chairman	162	12	174
Prof. Dr. David Baltimore, Vice Chairman	144	–	144
Dr. Clive Meanwell	144	11	155
	450	23	473

Being a pure holding company, the Group does not have a management of its own. Asset Management BaB N.V., Curaçao, the Group's asset manager on a mandate basis, received a total remuneration of CHF 4.7 mn (2009: CHF 5.6 mn). The total remuneration 2010 comprised a fixed fee portion of CHF 4.5 mn (2009: CHF 5.4 mn), no performance related fee (2009: none) and other expenses of CHF 0.2 mn (2009: CHF 0.2 mn).

2.2 Statement of holdings of the Board of Directors

As at December 31, the Board of Directors held the following registered shares BB Biotech AG:

	2010	2009
Prof. Dr. med. Thomas Szucs, Chairman	1 650	1 650
Prof. Dr. David Baltimore, Vice Chairman	–	–
Dr. Clive Meanwell	–	–

2.3 Significant shareholders

The Board of Directors is not aware of any major shareholders with a holding exceeding 3% of all votes as of December 31, 2010.

3. Movements on retained earnings

(in CHF 1 000)

	2010	2009
Retained earnings at the beginning of the year	234 935	55 740
Dividend	(59 423)	(29 665)
Net income for the year	192 243	208 860
Retained earnings at the end of the year	367 755	234 935

Proposal of the Board of Directors for the appropriation of retained earnings

(in CHF 1 000)

	2010 Proposal of the Board	2009 Resolution passed at the AGM
Retained earnings at the disposal of the Annual General Meeting	367 755	234 935
Dividend	54 083	59 423
Carry forward to the next period	313 672	175 512
	367 755	234 935

**Report of the statutory auditor
to the general meeting of
BB Biotech AG
Schaffhausen**

As statutory auditor, we have audited the financial statements of BB Biotech AG, which comprise the balance sheet, income statement and notes (pages 54 to 58), for the year ended December 31, 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2010, comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Adrian Keller



Stephane Kremer

Zurich, February 14, 2011

The following chapter is intended to supplement the Annual Report with information on corporate governance. As our organization is listed on the Swiss, German and Italian stock exchanges, we wish to be in compliance with the rules and regulations that apply to each of these markets. A great deal of the required information has already been supplied in past sections of the Annual Report or is available for download from the Internet. In such cases we allow us to refer to the relevant pages in this report or to our website, www.bbbiotech.com.

1. Group structure and shareholdership

Please refer to note 1 of the consolidated annual financial statements, in supplementation whereof we wish to advise that the Board of Directors is not aware of any cross-holdings with other companies exceeding a limit of 5% in terms of capital or the number of votes. Information on key stockholders is listed under note 18 to the consolidated annual financial statements.

2. Capital structure

Please refer to note 8 of the consolidated annual financial statements and “Shareholder information” on page 64. The terms and conditions relating to authorized capital are available on our website.

3. Board of Directors

3.1 Members, first election, nationality and stock holding

- Prof. Dr. med. Thomas D. Szucs (2003), Chairman (2004), Switzerland, 1 650 shares (ditto as at 09/30/2010).
- Prof. Dr. David Baltimore (1993), Vice Chairman (2004), USA, no shares (ditto as at 09/30/2010).
- Dr. Clive Meanwell (2004), no shares (ditto as at 09/30/2010).

The Board members have no executive functions, neither today nor in the last three years. Moreover, no business relations are in place between the Board members and BB Biotech. Detailed resumes available from our website www.bbbiotech.com.

3.2 Further mandates of the Board members

Dr. Thomas D. Szucs is Director of the European Center of Pharmaceutical Medicine and Chairman of the Board of Directors of Helsana AG and of Okairos AG. Dr. Clive Meanwell is Chairman of the Board of Directors and CEO of The Medicines Company. Prof. Dr. David Baltimore is member of the Board of Amgen.

3.3 Term of office/limitations on tenure

The Board of Directors is elected for a term of office of one year. There are no limitations on its tenure.

3.4 Internal organization

Chairman, Vice-Chairman and members, no committees. The Board of Directors meets at least once per month via video or telephone conference; in addition, two strategy weeks are organized each year. These meetings are attended by representatives of the asset manager commissioned. See also “Investment strategy,” page 12.

3.5 Director's dealing

BB Biotech publishes each purchase/sale of BB Biotech AG stocks by members of the Board of Directors, of the management as well as by first-degree relatives of such persons and which exceeds the amount of EUR 5 000 within three trading days. This information is made available for 30 days on our website.

4. Asset management

Being a pure holding company, BB Biotech AG does not have a management of its own. Fundamental analyses, portfolio management, marketing and administration are performed by the Bellevue Asset Management Group in line with its mandate ratio. The Bellevue Asset Management Group is remunerated in terms of the management fee. The mandate agreement is valid for an indefinite period and can be terminated by either party with a notice period of one year to the end of the following calendar year, at the earliest on December 31, 2014. Detailed information on this mandate (issuing prospectus) and the members of the management involved is available from the website.

5. Remuneration

See note 9 and 17 of the consolidated financial statements and note 2 of the financial statements of BB Biotech AG for details relating to remuneration. The remuneration model is defined by the Board of Directors but has remained unchanged since the Company was founded.

6. Stockholders' rights of cooperation

6.1 Limitations to voting rights; voting by proxy

There are no limitations to voting rights and no internal rules at variance from the statutory provisions concerning attendance of a General Meeting.

6.2 General Meeting

There are no rules relating to the presence of a quorum for voting purposes which differ from the statutory provisions. The rules of procedure adopted at General Meetings shall be in accordance with those laid down by law.

6.3 Dividend policy

For 2010 a dividend is paid out which is linked to the discount of the share price to the net asset value.

The following model is used to this end:
if the discount amounts to

- 5 – <10%: 1% of the net asset value at year-end
- >10 – <15%: 2% of the net asset value at year-end
- >15 – <20%: 3% of the net asset value at year-end
- >20%: 4% of the net asset value at year-end

The discount on which the resolution is based is calculated according to the average discount of daily closing prices from January 1, through December 31, 2010. The dividend is paid out in cash. The dividend proposed for the 2010 fiscal year amounts to CHF 3.20.

7. Change-of-control and defensive measures

7.1 Obligatory offer for sale

An opting-out rule is in place.

7.2 Change-of-control clauses

No change-of-control clauses are in place in favor of the Board of Directors and the management team.

8. Audits

8.1 Duration of mandate and term in office of the auditor-in-chief

Since fiscal 1994, PricewaterhouseCoopers AG have been the official auditors and group auditors of BB Biotech AG. The lead auditor, Adrian Keller, has been responsible for auditing the Company's books since fiscal year 2010.

8.2 Fees

The following fees for professional services in the year ended December 31, 2010, were agreed:

- Audit fees: CHF 90 000
- Fees for audit related services: none

8.3 Instruments of supervision and control vis-à-vis the auditors

The asset manager and the auditors are continually in contact with each other. The auditor is consulted by the Board of Directors where necessary. The auditors attend at least one meeting of the Board of Directors per year.

9. Information policy/diary of Company events

Please refer to "Shareholder information" at page 64.

10. Trading in own stocks

BB Biotech operates as an active purchaser/seller of own stocks itself on the market, securing additional liquidity in the process. The Group can purchase up to 10% of the issued shares. In addition, the AGM approved a share-buy back program of another 10% for the purpose of capital reduction.

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 December 31, 2010

Foundation:	November 9, 1993; Schaffhausen, Switzerland
Issue price adj. November 15, 1993:	CHF 23.76
Official listing:	December 27, 1993 in Switzerland, December 10, 1997 in Germany, October 19, 2000 in Italy
Share structure:	CHF 18.23 mn nominal, 18 225 000 registered shares with a par value of CHF 1
Authorized capital:	CHF 9.1 mn
Conditional capital:	CHF 9.1 mn
Shareholders, free float:	Institutional and private investors. 92.7% free float (7.3% treasury shares held on the second trading line)
Security number Switzerland:	3 838 999
Security number in Germany and Italy:	AoNFN3
ISIN:	CH0038389992

Corporate calendar 2011

Annual General Meeting 2011:

March 21, 2011, 4 PM CET,
Lake Side
Bellerivestrasse 170,
CH-8008 Zurich

Interim Report as at March 31, 2011:

April 21, 2011, 7:30 AM CET

Interim Report as at June 30, 2011:

July 21, 2011, 7:30 AM CET

Interim Report as at September 30, 2011:

October 20, 2011, 7:30 AM CET

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. 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.

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: BIO.MI

Investor Relations



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