

# FINANCIAL REPORT

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# CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31

(in CHF 1 000)

	Notes	2020	2019
<b>Current assets</b>			
Cash and cash equivalents		6 816	30 707
Receivables from brokers		1 521	–
Securities	4	3 954 659	3 523 670
Other assets		139	190
		<b>3 963 135</b>	<b>3 554 567</b>
<b>Total assets</b>		<b>3 963 135</b>	<b>3 554 567</b>
<b>Current liabilities</b>			
Short-term borrowings from banks	5	63 000	150 000
Payables to brokers		6 576	6 359
Other short-term liabilities	6	5 709	4 992
Tax liabilities		303	243
		<b>75 588</b>	<b>161 594</b>
<b>Total liabilities</b>		<b>75 588</b>	<b>161 594</b>
<b>Shareholders' equity</b>			
Share capital	7	11 080	11 080
Treasury shares	7	(8 241)	–
Retained earnings	7	3 884 708	3 381 893
		<b>3 887 547</b>	<b>3 392 973</b>
<b>Total liabilities and shareholders' equity</b>		<b>3 963 135</b>	<b>3 554 567</b>
Net asset value per share in CHF		70.30	61.25

The notes are an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors of BB Biotech AG on February 16, 2021.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31

(in CHF 1 000)

	Notes	2020	2019
<b>Operating income</b>			
Net gains from securities	4	741 511	726 591
Interest income		7	41
Dividend income		243	1 156
Other income		23	378
		<b>741 784</b>	<b>728 166</b>
<b>Operating expenses</b>			
Finance expenses		(883)	(1 243)
Foreign exchange losses		(1 857)	(1 173)
Administrative expenses	8	(41 755)	(42 375)
Other expenses	9	(6 040)	(5 876)
		<b>(50 535)</b>	<b>(50 667)</b>
<b>Profit/(loss) before tax</b>	<b>12</b>	<b>691 249</b>	<b>677 499</b>
Income taxes	10	(75)	(68)
<b>Profit/(loss) for the period</b>		<b>691 174</b>	<b>677 431</b>
<b>Total comprehensive profit/(loss) for the period</b>			
		<b>691 174</b>	<b>677 431</b>
Earnings/(loss) per share in CHF	11	12.48	12.23
Diluted earnings/(loss) per share in CHF	11	12.48	12.23

The notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31

(in CHF 1 000)

	Share capital	Treasury shares	Retained earnings	Total
<b>Balances at January 1, 2019</b>	<b>11 080</b>	–	<b>2 873 432</b>	<b>2 884 512</b>
Dividend	–	–	(168 970)	(168 970)
Total comprehensive income for the year	–	–	677 431	677 431
<b>Balances at December 31, 2019</b>	<b>11 080</b>	–	<b>3 381 893</b>	<b>3 392 973</b>
<b>Balances at January 1, 2020</b>	<b>11 080</b>	–	<b>3 381 893</b>	<b>3 392 973</b>
Dividend	–	–	(188 360)	(188 360)
Trade with treasury shares (incl. change in balance)	–	(8 241)	1	(8 240)
Total comprehensive income for the year	–	–	691 174	691 174
<b>Balances at December 31, 2020</b>	<b>11 080</b>	<b>(8 241)</b>	<b>3 884 708</b>	<b>3 887 547</b>

The notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

(in CHF 1 000)

	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Proceeds from sales of securities	4	1 008 571	754 160
Purchase of securities	4	(699 354)	(493 508)
Dividend receipts		243	1 156
Interest receipts		7	41
Payments for services		(46 973)	(46 789)
Income taxes paid		(45)	(39)
<b>Total cash flows from operating activities</b>		<b>262 449</b>	<b>215 021</b>
<b>Cash flows from financing activities</b>			
Dividend		(188 360)	(168 970)
Proceeds from sales of treasury shares	7	20	–
Purchase of treasury shares	7	(8 260)	–
Repayment of bank loans	5	(87 000)	(35 000)
Interest payments		(883)	(1 243)
<b>Total cash flows from financing activities</b>		<b>(284 483)</b>	<b>(205 213)</b>
Foreign exchange difference		(1 857)	(1 173)
<b>Change in cash and cash equivalents</b>		<b>(23 891)</b>	<b>8 635</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>30 707</b>	<b>22 072</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>6 816</b>	<b>30 707</b>

The notes are an integral part of the consolidated financial statements.

# NOTES TO THE 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, Schwertstrasse 6. Its principal activity is to invest in companies active in the biotechnology industry for the purpose of capital appreciation. The investments are held through its wholly owned subsidiaries.

Company	Capital in CHF 1 000	Capital and voting interest in %
Biotech Focus N.V., Curaçao	11	100
Biotech Growth N.V., Curaçao	11	100
Biotech Invest N.V., Curaçao	11	100
Biotech Target N.V., Curaçao	11	100

## 2. Accounting policies

### 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 for the period January 1, 2020, until December 31, 2020. The consolidation is prepared from the financial statements of the Group companies using uniform accounting principles. With the exception of financial assets and liabilities (incl. 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 differ from these estimates.

The following amended standards, valid since January 1, 2020, have been applied in these annual consolidated financial statements:

- IAS 1, IAS 8 (amended, effective January 1, 2020) – Definition of Material
- IFRS 3 (amended, effective January 1, 2020) – Business Combinations
- IAS 39, IFRS 7, IFRS 9 (amended, effective January 1, 2020) – IBOR-Reform

The Group assessed the impact of the above-mentioned amended standards. Based on the analysis, the Group concludes that these amended standards have no material impact on the Group's accounting policies and overall results and financial position.

The following amended standards were approved, but will only be applicable for the Group prospectively and were not early adopted in these annual consolidated financial statements:

- IAS 1 (amended, effective January 1, 2022) – Classification of Liabilities as Current or Non-current
- IFRS 3 (amended, effective January 1, 2022) – Reference to the Conceptual Framework
- IAS 37 (amended, effective January 1, 2022) – Onerous Contracts – Cost of fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 (effective January 1, 2022) – IFRS 9, IFRS 16

The Group assessed the potential impact of the above-mentioned amended standards. Based on the analysis, the Group concludes that these amended standards have no material impact on the Group's accounting policies and overall results and financial position.

### **Basis of consolidation**

The consolidated financial statements include the Company and the subsidiary companies which are controlled by it. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 acquisition 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 economic environment (primary listing, investors, costs and performance measurement) in which the Company and its subsidiaries operate, the consolidated financial statements of the Group are presented in Swiss francs, which is the Company's and its subsidiaries functional 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 securities.

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

<b>Currency</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
USD	0.88520	0.96760
ANG	0.49730	0.54360
EUR	1.08134	1.08550
GBP	1.21000	1.27970

### **Financial assets**

The Group classifies its financial assets in the following categories:

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss

**Financial assets at amortized cost**

Financial assets at amortized cost 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 when they have maturities of greater than twelve months after the balance sheet date. Otherwise they are classified as non-current assets.

**Cash and cash equivalents**

Cash and cash equivalents comprise current accounts and call money at banks which have a maturity of three months or less.

**Receivables from brokers**

Receivables from brokers result from security transactions and do not bear any interest.

These amounts are recognized initially at fair value and subsequently measured at amortized cost. At each reporting date, the Group shall measure the loss allowance on amounts due from broker at an amount equal to the Lifetime Expected Credit Loss («ECL») if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Group shall measure the loss allowance at an amount equal to 12-month ECLs. A significant increase in credit risk is defined as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired. For receivables from brokers which settle within 10 business days the ECL estimate is nil.

**Financial assets at fair value through profit or loss**

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

Initially, securities and derivatives are measured 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 securities are accounted for at trade date. Realized gains and losses on security trading are recognized in the statement of comprehensive income as net gains/losses from securities at the day of the transaction. Changes in fair value of securities are also recognized as net gains/losses from securities in the statement of comprehensive income in the same period in which they arise. Securities are derecognized when the rights to receive cash flows from securities have expired or where the Group has transferred substantially all risks and rewards of ownership.

Transaction costs are costs to acquire financial assets at fair value through profit or loss. They include transfer taxes and duties as well as fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized as an expense.

**Financial liabilities**

Financial liabilities are generally classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities held for trading and derivatives.

**Payables to brokers**

Payables to brokers result from security transactions and do not bear any interest.

**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.

**Income taxes**

Current income taxes are calculated on the basis of the applicable tax laws in individual countries and recognized as an expense in the period in which the related profits are made.

Assets or liabilities related to current income taxes are reported in the balance sheet in the items «Current tax assets» or «Current tax liabilities ». Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the Group's balance sheet and their corresponding tax values are recognized, respectively, as «Deferred tax assets» and «Deferred tax liabilities». Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled.

**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.

**Treasury shares**

The company can buy and sell treasury shares in accordance with the Company's article of association, Swiss company law and in compliance with the listing rules of SIX Swiss Exchange.

Treasury shares are recorded as a deduction from the shareholders' equity at the amount of considerations paid («Total cost»). All gains and losses arising from trading in treasury shares are directly credited/debited to retained earnings. The FIFO (first in/first out) method is used for derecognition. The purchase price is booked gross with transaction costs. 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 at year end.

**Dividend income**

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

**Leasing contracts**

The Group has two rental contracts for office space in Schaffhausen and Curacao. Due to the immateriality of a right-of-use-asset and a lease liability, no disclosure according to IFRS 16 are made within these consolidated financial statements.

**Pension liability**

BB Biotech AG maintains for its employee a defined benefit plan. There is no pension plan for employees of Group companies. Due to the immateriality of any potential pension liability or potential pension asset, no disclosures according to IAS 19 are made within these consolidated financial statements.

**Segment reporting**

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the chief operating decision-maker. The investment manager is considered to be the chief operating decision-maker. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. The sole operating segment of the Group is investing in companies active in the biotechnology industry. The investment manager works as a team for the entire portfolio, asset allocation is based on a single, integrated investment strategy and the Group's performance is evaluated on an overall basis. Thus the results published in this report correspond to the sole operating segment of investing in companies active in the biotechnology industry.

**Related party**

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

**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 a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated.

**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 may be material.

The Company has assessed whether it is appropriate under IFRS 10 to consolidate the Subsidiaries. IFRS 10 states that an investor controls the investee if, and only if, the investor has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns

The Company owns 100% of the capital and voting interest in all four subsidiaries as disclosed in note 1. Therefore the Company has power over the organization and directs the investment activities and dividend policy of its subsidiaries. The scope of the investment management and administration agreement with the investment manager also includes all subsidiaries.

Further, IFRS 10 requires that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. The Company also made an assessment as to whether the Company's Subsidiaries meet the definition of an investment entity. IFRS 10 provides that an investment entity should have the following typical characteristics:

- It has more than one investment;
- It has more than one investor;
- It has investors that are not related parties of the entity; and
- It has ownership interests in the form of equity or similar interests.

An investment entity is still required to consolidate its subsidiaries if the subsidiary provides services that relate to the investment entity's investment activities.

The Company concluded that the Subsidiaries do not qualify as investment entities, but are effectively operating subsidiaries as they act as an extension of the Company. They provide requisite investment-related services to the Company and incur costs in doing so, thus the Company consolidates its subsidiaries. Fair value accounting would not have a material impact on the net income and equity of the Group.

### 3. Financial risk management

Within the framework of the law, articles of incorporation and regulations, the investment manager carries out currency and security forward transactions, buys, sells and makes use of options as well as fulfills all necessary obligations that result from these businesses.

#### Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amount in full when due. The Group measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Group considers both historical analysis and forward looking information in determining any expected credit loss.

The Group manages and controls its credit risk by maintaining business relations only with counterparties with an acceptable credit rating. All transactions in 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. The Group's credit positions, if any, are monitored on a daily basis by the investment manager and are reviewed on a regular basis by the Board of Directors.

As at December 31, 2020 and 2019, the ECL-impairment model did not have a material impact as (i) the majority of the financial assets are measured at fair value through profit or loss and the impairment requirements do not apply to such instruments; and (ii) the financial assets at amortized cost are short-term (no longer than 10 days). As a result, no loss allowance has been recognized.

#### Market risks

##### Risk associated with changing market prices

Due to its business activity and the resulting high portion of 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 occasionally, but to a substantial extent, in the capital of its investments. In the case of sales of large parts of these investments, it may be able to influence the market price. The Group's securities positions are monitored on a daily basis by the investment manager and are reviewed on a regular basis by the Board of Directors.

The annual volatility of registered shares BB Biotech AG (reference volatility for the marketable securities) for 2020 is 33.78% (2019: 21.37%). At December 31, 2020, had the value of listed securities increased or decreased by 33.78% (2019: 21.37%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 1 335.2 mn (2019: CHF 752.5 mn).

At December 31, 2020 and 2019 the Company holds no unlisted shares.

#### Interest risk

Interest rates on liquid funds are based on market rates. The funds are due on demand.

Short-term borrowings from banks 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 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 investment manager and reviewed on a regular basis by the Board of Directors.

### Currency risk

The Group hold assets denominated in currencies other than the Swiss franc, the functional currency. They are therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. Depending on the market situation the Group could use foreign currency options and/or forward contracts to reduce the currency risk.

The following table summarizes the Group's exposure to currency risks:

<b>2020</b>	<b>Net exposure 31.12. (in CHF 1 000)</b>	<b>Annual volatility (in %)</b>	<b>Potential impact (in CHF 1 000)<sup>1)</sup></b>
USD	3 952 760	7.41	292 741
ANG	7	7.41	1
<b>2019</b>			
USD	3 500 013	5.50	192 571
ANG	128	5.50	7

<sup>1)</sup> Potential impact on total comprehensive income as well as shareholders' equity with all other variables held constant

The Group's currency position is monitored on a daily basis by the investment manager and is reviewed on a regular 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 three stock exchanges. The Group can invest a minor part of its portfolio in securities, which are not traded on a stock exchange and may be illiquid. As a result, the Group may not be able to liquidate its investments in these instruments on short notice. In addition, the Group has access to a credit line (notes 5 and 13).

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

	Less than 1 month	1–3 months	More than 3 months / no stated maturity
<b>At December 31, 2020</b>			
Short-term borrowings from banks	63 000	–	–
Payables to brokers	6 576	–	–
Other short-term liabilities	5 313	396	–
<b>Total liabilities</b>	<b>74 889</b>	<b>396</b>	<b>–</b>
<b>At December 31, 2019</b>			
Short-term borrowings from banks	150 000	–	–
Payables to brokers	6 359	–	–
Other short-term liabilities	4 657	335	–
<b>Total liabilities</b>	<b>161 016</b>	<b>335</b>	<b>–</b>

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

#### Diversification

The investment portfolio usually consists of 20 to 35 investments. This includes five to eight large core investments, defined as positions > 5%. These investments together will account for up to two-thirds of the portfolio. Companies without a stock market listing shall not exceed 10% of the portfolio.

As at December 31, 2020, the Group held five core investments, representing 35% (2019: seven core investments, 55%) of the portfolio. The portfolio is – in line with the strategy – concentrated on a limited number of investments. Risk diversification is therefore limited.

#### Fair values

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

2020	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Securities				
– Shares	3 952 504	–	–	3 952 504
– Derivative instruments	–	–	2 155	2 155
<b>Total assets</b>	<b>3 952 504</b>	<b>–</b>	<b>2 155</b>	<b>3 954 659</b>
<b>2019</b>				
<b>Assets</b>				
Securities				
– Shares	3 518 985	–	–	3 518 985
– Derivative instruments	2 330	–	2 355	4 685
<b>Total assets</b>	<b>3 521 315</b>	<b>–</b>	<b>2 355</b>	<b>3 523 670</b>

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 maximize the use of observable market data where it is available. 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 valuation of level 3 instruments is quarterly reviewed. As soon as new or adjusted parameters are available the valuation model (e.g. earnings multiple model) of unlisted shares is adjusted accordingly. As of December 31, 2020, the Company holds one level 3 instrument, allocated as part of a corporate action on October 24, 2019 (December 31, 2019: identical).

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

	<b>2020</b>	<b>2019</b>
Opening balance	2 355	–
Purchases/Sales/Reclassification	–	–
Gains/(losses) included in net gain/loss from securities	(201)	2 355
<b>Closing balance</b>	<b>2 155</b>	<b>2 355</b>
<b>Gains/(losses) on level 3 instruments included in net gain/loss from securities</b>	<b>(201)</b>	<b>2 355</b>

There have been no transfers between level 1, 2 and 3 during the reporting period. No sensitivity analysis has been disclosed due to the immaterial amount of level 3 instruments.

For assets and liabilities carried at amortized cost, their carrying values are a reasonable approximation of fair value.

## 4. Financial assets

### Securities

The changes in value of securities by investment category are as follows (in CHF 1 000):

	Listed shares	Unlisted shares	Derivative instruments	Total
<b>Opening balance as at 01.01.2019 at fair values</b>	<b>3 063 972</b>	<b>–</b>	<b>203</b>	<b>3 064 175</b>
Purchases	485 239	–	1 490	486 729
Sales	(753 455)	–	(370)	(753 825)
Net gains/(losses) from securities	723 228	–	3 363	726 591
<i>Realized gains</i>	251 993	–	167	252 160
<i>Realized losses</i>	(12 865)	–	–	(12 865)
<i>Unrealized gains</i>	693 965	–	3 196	697 161
<i>Unrealized losses</i>	(209 865)	–	–	(209 865)
<b>Closing balance as at 31.12.2019 at fair values</b>	<b>3 518 985</b>	<b>–</b>	<b>4 685</b>	<b>3 523 670</b>
<b>Opening balance as at 01.01.2020 at fair values</b>	<b>3 518 985</b>	<b>–</b>	<b>4 685</b>	<b>3 523 670</b>
Purchases	699 570	–	–	699 570
Sales	(1 010 092)	–	–	(1 010 092)
Net gains/(losses) from securities	744 042	–	(2 531)	741 511
<i>Realized gains</i>	364 618	–	–	364 618
<i>Realized losses</i>	(83 963)	–	–	(83 963)
<i>Unrealized gains</i>	882 536	–	–	882 536
<i>Unrealized losses</i>	(419 149)	–	(2 531)	(421 680)
<b>Closing balance as at 31.12.2020 at fair values</b>	<b>3 952 504</b>	<b>–</b>	<b>2 155</b>	<b>3 954 659</b>

Securities comprise the following:

Company	Number 31.12.2019	Change	Number 31.12.2020	Market price in original currency 31.12.2020	Valuation CHF mn 31.12.2020	Valuation CHF mn 31.12.2019
Ionis Pharmaceuticals	7 994 955	225 045	8 220 000	USD 56.54	411.4	467.3
Moderna	4 817 781	(1 962 818)	2 854 963	USD 104.47	264.0	91.2
Neurocrine Biosciences	3 228 074	(193 074)	3 035 000	USD 95.85	257.5	335.7
Argenx SE	944 739	(23 407)	921 332	USD 294.09	239.8	146.7
Incyte	3 400 000	(500 000)	2 900 000	USD 86.98	223.3	287.3
Vertex Pharmaceuticals	1 240 000	(340 000)	900 000	USD 236.34	188.3	262.7
Alexion Pharmaceuticals	1 314 428	(20 000)	1 294 428	USD 156.24	179.0	137.5
Arvinas	1 241 903	935 000	2 176 903	USD 84.93	163.7	49.4
Fate Therapeutics	–	2 030 000	2 030 000	USD 90.93	163.4	–
Agios Pharmaceuticals	3 896 954	261 948	4 158 902	USD 43.33	159.5	180.1
Halozyme Therapeutics	7 963 056	(3 993 056)	3 970 000	USD 42.71	150.1	136.6
Alnylam Pharmaceuticals	1 600 000	(445 000)	1 155 000	USD 129.97	132.9	178.3
Crispr Therapeutics	730 462	170 422	900 884	USD 153.11	122.1	43.0
Sage Therapeutics	1 280 104	260 000	1 540 104	USD 86.51	117.9	89.4
Radius Health	6 881 685	574 029	7 455 714	USD 17.86	117.9	134.2
Biogen	–	537 000	537 000	USD 244.86	116.4	–
Myovant Sciences	4 815 109	(58 070)	4 757 039	USD 27.62	116.3	72.3

Intra-Cellular Therapies	2 300 000	1 238 419	3 538 419	USD	31.80	99.6	76.4
Macrogenics	4 519 159	296 405	4 815 564	USD	22.86	97.4	47.6
Scholar Rock Holding	2 634 466	(378 815)	2 255 651	USD	48.53	96.9	33.6
Esperion Therapeutics	3 727 964	220 000	3 947 964	USD	26.00	90.9	215.1
Generation Bio Co.	–	2 333 180	2 333 180	USD	28.35	58.6	–
Molecular Templates	1 295 687	5 084 644	6 380 331	USD	9.39	53.0	17.5
Relay Therapeutics	–	1 409 357	1 409 357	USD	41.56	51.8	–
Exelixis	2 835 000	–	2 835 000	USD	20.07	50.4	48.3
Mersana Therapeutics	–	1 885 000	1 885 000	USD	26.61	44.4	–
Nektar Therapeutics	2 620 676	–	2 620 676	USD	17.00	39.4	54.7
Black Diamond Therapeutics	–	1 390 000	1 390 000	USD	32.05	39.4	–
Beam Therapeutics	–	396 821	396 821	USD	81.64	28.7	–
Kezar Life Sciences	1 550 669	2 982 479	4 533 148	USD	5.22	20.9	6.0
Wave Life Sciences	2 402 858	200 000	2 602 858	USD	7.87	18.1	18.6
Homology Medicines	1 612 122	125 000	1 737 122	USD	11.29	17.4	32.3
Voyager Therapeutics	2 680 283	–	2 680 283	USD	7.15	17.0	36.2
Cidara Therapeutics	2 295 272	527 223	2 822 495	USD	2.00	5.0	8.5
Myokardia	1 264 913	(1 264 913)	–	USD	n.a.	–	89.2
Intercept Pharmaceuticals	696 976	(696 976)	–	USD	n.a.	–	83.6
Bristol-Myers Squibb Co.	800 000	(800 000)	–	USD	n.a.	–	49.7
Akcea Therapeutics	2 448 948	(2 448 948)	–	USD	n.a.	–	40.1
Sangamo Therapeutics	3 850 000	(3 850 000)	–	USD	n.a.	–	31.2
G1 Therapeutics	721 925	(721 925)	–	USD	n.a.	–	18.5
<b>Total shares</b>						<b>3 952.5</b>	<b>3 519.0</b>
Alder Biopharmaceuticals – Contingent Value Right	2 766 008	–	2 766 008	USD	0.88	2.2	2.4
Bristol-Myers Squibb – Contingent Value Right	800 000	–	800 000	USD	0.00	–	2.3
<b>Total derivative instruments</b>						<b>2.2</b>	<b>4.7</b>
<b>Total securities</b>						<b>3 954.7</b>	<b>3 523.7</b>

Securities are deposited with Bank Julius Baer & Co. Ltd., Zurich.

## 5. Short-term borrowings from banks

At December 31, 2020, a CHF 63 mn short-term loan is outstanding, with interest payable at 0.40% p.a. (2019: CHF 150 mn at 0.40% p.a.).

## 6. Other short-term liabilities

(in CHF 1 000)

Other short-term liabilities comprise the following:

	31.12.2020	31.12.2019
Payables to asset manager	3 715	3 513
Payables to market maker	–	32
Other liabilities	1 994	1 447
<b>Total liabilities to third parties</b>	<b>5 709</b>	<b>4 992</b>

## 7. Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (2019: 55.4 mn registered shares) with a par value of CHF 0.20 each (2019: CHF 0.20). CHF 2.2 mn of the retained earnings (2019: CHF 2.2 mn) are undistributable.

	Share capital	Treasury shares	Retained earnings	Total
<b>Balances at January 1, 2019</b>	<b>11 080</b>	<b>–</b>	<b>2 873 432</b>	<b>2 884 512</b>
Dividend	–	–	(168 970)	(168 970)
Total comprehensive income for the year	–	–	677 431	677 431
<b>Balances at December 31, 2019</b>	<b>11 080</b>	<b>–</b>	<b>3 381 893</b>	<b>3 392 973</b>

<b>Balances at January 1, 2020</b>	<b>11 080</b>	<b>–</b>	<b>3 381 893</b>	<b>3 392 973</b>
Dividend	–	–	(188 360)	(188 360)
Trade with treasury shares (incl. change in balance)	–	(8 241)	1	(8 240)
Total comprehensive income for the year	–	–	691 174	691 174
<b>Balances at December 31, 2020</b>	<b>11 080</b>	<b>(8 241)</b>	<b>3 884 708</b>	<b>3 887 547</b>

At December 31, 2020 and 2019, the Company has neither authorized nor conditional capital.

### Treasury shares

The Company can buy and sell treasury shares in accordance with the Company's articles of association and Swiss company law and in compliance with the listing rules of the SIX Swiss Exchange. During the period from January 1, 2020, to December 31, 2020, the Company has purchased 114 998 treasury shares to the amount of TCHF 8 260 and 336 treasury shares to the amount of TCHF 20 were sold (December 31, 2019: nil). As at December 31, 2020, the Company held in total 114 662 treasury shares (December 31, 2019: nil). These treasury shares are treated as a deduction from the consolidated shareholders' equity using cost values of TCHF 8 240 (December 31, 2019: TCHF nil).

### Share buyback 2nd line (bought for cancellation)

The General Shareholders' Meeting held on March 17, 2016, has approved a share buy-back program, whereby up to 5 540 000 shares may be repurchased by the Company. Until the end of the program, at April 11, 2019, no shares had been repurchased under this share buy-back program.

The Board of Directors has approved the repurchase of a maximum of 5 540 000 own registered shares with a nominal value of CHF 0.20 each. The share buy-back program will run from April 12, 2019, until April 11, 2022, at the latest. Until December 31, 2020, no shares had been repurchased under this share buy-back program. A repurchase would take place via second trading line for the purpose of a subsequent capital reduction.

## 8. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	<b>2020</b>	<b>2019</b>
<b>Asset manager</b>		
– Management fees (incl. VAT)	39 811	40 512
<b>Personnel</b>		
– Board of Directors remuneration	1 223	1 098
– Wages and salaries	593	634
– Social insurance contributions and duties	128	131
	<b>41 755</b>	<b>42 375</b>

The remuneration model of BB Biotech AG is determined by the Board of Directors.

Since 2014, the remuneration paid to the investment manager is based upon a 1.1% p.a. all-in fee on the average market capitalization without any additional fixed or performance-based elements of compensation, which is paid on a monthly basis. The compensation of the Board of Directors consists since 2014 of a fixed compensation.

## 9. Other expenses

(in CHF 1 000)

Other expenses comprise the following:

	<b>2020</b>	<b>2019</b>
Bank charges	551	577
Marketing and financial reporting	1 613	1 872
Legal and consulting expenses	357	385
Transaction costs	2 433	1 724
Other expenses	1 086	1 318
	<b>6 040</b>	<b>5 876</b>

## 10. Taxes

(in CHF 1 000)

	<b>2020</b>	<b>2019</b>
Operating income before tax	691 249	677 499
Expected tax rate (Direct federal, cantonal and communal tax)	14.5%	7.8%
Expected income tax	100 231	52 845
Difference between effective local tax rates and the expected Swiss tax rate	100 156	52 777
<b>Total income tax</b>	<b>75</b>	<b>68</b>

In the current year, the average effective income tax rate on a consolidated basis was less than 1% (2019: <1%). This low rate is mainly attributable to the fact that a large proportion of operating income was generated by companies located in Curaçao. As at December 31, 2020, there is no nettable loss carry forward (2019: none).

## 11. Earnings per share

(in CHF 1 000)

	<b>2020</b>	<b>2019</b>
Total comprehensive profit/(loss) for the period (in CHF 1 000)	691 174	677 431
Weighted average number of shares in issue	55 391 180	55 400 000
<b>Income per share in CHF</b>	<b>12.48</b>	<b>12.23</b>
Income used to determine diluted income per share (in CHF 1 000)	691 174	677 431
Weighted average number of shares in issue following the dilution	55 391 180	55 400 000
<b>Diluted income per share in CHF</b>	<b>12.48</b>	<b>12.23</b>

## 12. Segment reporting

(in CHF 1 000)

The sole operating segment of the Group reflects the internal management structure and is evaluated on an overall basis. Revenue is derived by investing in a portfolio of companies active in the biotechnology industry for the purpose of capital appreciation. The following results correspond to the sole operating segment of investing in companies active in the biotechnology industry.

The geographical analysis of the profit/(loss) before tax is as follows – all income from financial assets are attributed to a country based on the domiciliation of the issuer of the instrument:

<b>Profit/(loss) before tax</b>	<b>2020</b>	<b>2019</b>
USA	515 492	700 242
Netherlands	100 499	56 334
Switzerland	70 632	14 221
Great Britain	50 299	4 631
Singapore	(2 039)	(53 952)
Curaçao	(43 634)	(43 977)
	<b>691 249</b>	<b>677 499</b>

### 13. Assets pledged

At December 31, 2020, the securities in the amount of CHF 3 954.7 mn (2019: CHF 3 523.7 mn) are a collateral for a credit line of CHF 700 mn (2019: CHF 700 mn). At December 31, 2020, a CHF 63 mn short-term loan is outstanding (2019: CHF 150 mn).

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

The Group had no commitments or other off-balance sheet transactions open at December 31, 2020 (2019: none).

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. The Board of Directors concludes that as at December 31, 2020, no proceedings existed which could have any material effect on the financial position of the Group (2019: none).



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

2020	Financial assets at amortized cost	Financial instruments at fair value through profit or loss	Financial liabilities at amortized cost	Total
<b>Profit and loss from financial instruments</b>				
Net gains from securities	–	741 511	–	741 511
Interest income	7	–	–	7
Dividend income	–	243	–	243
Finance expenses	–	–	(883)	(883)
Foreign exchange losses	(1 857)	–	–	(1 857)
<b>2019</b>				
<b>Profit and loss from financial instruments</b>				
Net gains from securities	–	726 591	–	726 591
Interest income	41	–	–	41
Dividend income	–	1 156	–	1 156
Finance expenses	–	–	(1 243)	(1 243)
Foreign exchange losses	(1 173)	–	–	(1 173)

## 16. Transactions with the Investment Manager and related party transactions

The asset management and administration of the Company has been delegated to Bellevue Asset Management AG. Based on the 1.1% p.a. all-in fee model, no additional costs incurred at Bellevue Asset Management AG were charged to the BB Biotech Group (2019: none). The amounts outstanding at the balance sheet date are disclosed in [note 6](#), «Other short-term liabilities».

## 17. Significant shareholders

The Board of Directors is not aware of any major shareholder with a holding exceeding 3% of all votes as at December 31, 2020 and 2019.

## 18. Subsequent events

There have been no events subsequent to December 31, 2020, which would affect the 2020 consolidated financial statements.

# REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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## Report of the statutory auditor to the General Meeting of BB Biotech AG

### Opinion

We have audited the consolidated financial statements of BB Biotech AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with the provisions of article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and with Swiss law.

### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the «Auditor's responsibilities for the audit of the consolidated financial statements» section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Our audit approach****Overview**

Overall Group materiality: CHF 38 875 470

We concluded full scope audit work at all of the Group entities, which are located in Switzerland and Curacao.

Our audit scope therefore addressed 100% of the Group's assets, liabilities, equity, income, expenses and cash flows.

As key audit matters, the following areas of focus were identified:

- Valuation of securities
- Ownership of securities

**Materiality**

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

**Overall Group materiality**

CHF 38 875 470

**How we determined it**

1% of total consolidated shareholders' equity

**Rationale for the materiality benchmark applied**

We chose shareholders' consolidated equity as the benchmark because, in our view, it is the most relevant benchmark for investors, and it is a generally accepted benchmark for investment companies.

**Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Valuation of securities****Key audit matter**

The investment portfolio as of 31 December 2020 comprises investments in marketable and nonmarketable securities (derivatives).

We consider this area to be a key audit matter because of the significant value of the securities in the consolidated financial statements.

As set out in [note 4](#) (Schedule of securities) securities amount to CHF 3 955 million or 99.8% of total assets.

The valuation of the securities is prepared by the Investment Manager using the valuation methods disclosed in [note 2](#) (Accounting policies). The Board of Directors approves the valuation of the investment portfolio.

**How our audit addressed the key audit matter**

We verified the design and implementation of the controls relating to the valuation of securities in order to determine whether the Investment Manager has appropriate controls in place. Further, we verified the adequacy of the applied valuation methods as well as the appropriateness of the resulting valuations by performing the following procedures:

We compared the valuation methods applied by the Investment Manager with generally accepted valuation methods. Further, we verified the quoted prices of marketable securities by comparing them with those from an independent source different from that used by the Investment Manager. Additionally, we verified that the valuation of the non-marketable securities is in line with the valuation policies of the Group.

We obtained sufficient audit evidence to conclude that the valuation methods were both appropriate and consistently applied by the Investment Manager.

**Ownership of securities****Key audit matter**

The securities are safeguarded by an independent custodian.

There is a risk that the Group may not have sufficient legal entitlement to the securities.

We consider this area to be a key audit matter because of the significant value of the securities in the consolidated financial statements.

**How our audit addressed the key audit matter**

We examined the ownership of the securities by requesting a confirmation of the securities portfolio directly from the custodian.

We obtained sufficient audit evidence to conclude that there is sufficient legal entitlement to the securities portfolio.

**Other information in the annual report**

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of BB Biotech AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

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

**Daniel Pajer**

Audit expert  
Auditor in charge

**Roland Holl**

Audit expert

Zurich, 17 February 2021

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

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# BALANCE SHEET AS AT DECEMBER 31

(in CHF)

	Notes	2020	2019
<b>Current assets</b>			
Cash and cash equivalents		25 022	135 028
Other current receivables		5 639 574	6 291 277
		<b>5 664 596</b>	<b>6 426 305</b>
<b>Non-current assets</b>			
Investments		1 177 069 500	1 177 069 500
		<b>1 177 069 500</b>	<b>1 177 069 500</b>
<b>Total assets</b>		<b>1 182 734 096</b>	<b>1 183 495 805</b>
<b>Current liabilities</b>			
Other current liabilities	2.1	381 190	404 609
Accrued expenses		440 145	326 699
		<b>821 335</b>	<b>731 308</b>
<b>Total liabilities</b>		<b>821 335</b>	<b>731 308</b>
<b>Shareholders' equity</b>			
Share capital	2.2	11 080 000	11 080 000
Legal capital reserves			
– Paid-in capital reserve <sup>1)</sup>		20 579 224	20 579 224
Legal profit reserves			
– General legal reserve		4 500 000	4 500 000
– Reserve for treasury shares <sup>2)</sup>		8 241 195	–
Other reserves		218 586 561	226 827 756
Retained earnings	5/6	918 925 781	919 777 517
		<b>1 181 912 761</b>	<b>1 182 764 497</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 182 734 096</b>	<b>1 183 495 805</b>

<sup>1)</sup> Of which CHF 20 441 000 not confirmed by the Swiss Tax Authorities due to present regulation

<sup>2)</sup> For treasury shares held by subsidiaries

The financial statements were approved by the Board of Directors of BB Biotech AG on February 16, 2021.

# STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31

(in CHF)

	Notes	2020	2019
<b>Operating income</b>			
Income from investments		187 130 300	884 810 951
Other income	2.3	5 503 545	6 110 185
		<b>192 633 845</b>	<b>890 921 136</b>
<b>Operating expenses</b>			
Administrative expenses	2.4	(2 077 822)	(1 974 433)
Other expenses	2.5	(2 922 658)	(3 411 250)
		<b>(5 000 480)</b>	<b>(5 385 683)</b>
<b>Operating income before finance income and taxes</b>		<b>187 633 365</b>	<b>885 535 453</b>
Finance income		1 310	3 130
Finance expenses		(13 974)	(26 583)
<b>Operating income before tax</b>		<b>187 620 701</b>	<b>885 512 000</b>
Tax expenses	2.6	(112 437)	(123 687)
<b>Net income for the year</b>		<b>187 508 264</b>	<b>885 388 313</b>

# NOTES TO THE FINANCIAL STATEMENTS BB BIOTECH AG

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## 1. Accounting policies

### General

The financial statements of BB Biotech AG (the Company) have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations. The financial statements have been prepared under the historical cost convention.

### Cash and cash equivalents

Cash and cash equivalents includes current accounts at banks. These are stated at the notional amount.

### Investments

The investments include the subsidiaries over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Initially and subsequently, investments are valued at historical cost. An impairment is recognized if the value in use is expected to permanently fall below the book value.

Income from investments is recognized in the income statement when the Company's right to receive the dividend payment is established.

### Receivables/liabilities

Receivables/liabilities are classified as current assets/liabilities if maturity is expected to be within twelve month after the balance sheet date. Else, they are classified as long-term assets/liabilities. Receivables/liabilities are recognized at notional value. Receivables/liabilities against related parties include transactions with the Board of Directors as well as Group companies and affiliates. Receivables/liabilities against group companies result mainly from cash-pooling activities of the Group. The Group consists of BB Biotech AG and the mentioned subsidiaries under [3.3](#).

### Treasury shares

Treasury shares are deducted from shareholders' equity. All profits and losses arising from trading in treasury shares are included in the income statement. A reserve for treasury shares is built for treasury shares held by subsidiaries, booked against other reserves. The reserve is based on cost prices.

## 2. Details and explanations to the financial statements

### 2.1 Other current liabilities

The other current liabilities comprise the following (in CHF):

	<b>2020</b>	<b>2019</b>
Third parties	308 546	303 770
Investment Manager	72 644	100 839
	<b>381 190</b>	<b>404 609</b>

### 2.2 Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (2019: 55.4 mn registered shares) with a par value of CHF 0.20 each (2019: CHF 0.20).

The General Shareholders' Meeting held on March 17, 2016, has approved a share buy-back program, whereby up to 5 540 000 shares may be repurchased by the Company. Until the end of the program, at April 11, 2019, no shares had been repurchased under this share buy-back program.

The Board of Directors has approved the repurchase of a maximum of 5 540 000 own registered shares with a nominal value of CHF 0.20 each. The share buy-back program will run from April 12, 2019, until April 11, 2022, at the latest. Until December 31, 2020, no shares had been repurchased under this share buy-back program. A repurchase would take place via second trading line for the purpose of a subsequent capital reduction.

At December 31, 2020 and 2019, the Company has neither authorized nor conditional capital.

### 2.3 Other income

Other income comprises the following (in CHF):

	<b>2020</b>	<b>2019</b>
Income group services	5 500 500	6 101 000
Other income	3 045	9 185
	<b>5 503 545</b>	<b>6 110 185</b>

### 2.4 Administrative expenses

Administrative expenses comprise the following (in CHF):

	<b>2020</b>	<b>2019</b>
Board compensation	1 272 316	1 151 684
Investment manager compensation	723 837	737 585
Staff costs	81 669	85 164
	<b>2 077 822</b>	<b>1 974 433</b>

The remuneration report discloses further details to the Board of Directors compensation.

**2.5 Other expenses**

Other expenses comprise the following (in CHF):

	<b>2020</b>	<b>2019</b>
Marketing and financial reporting	1 612 762	1 872 325
Consulting and audit	356 501	384 690
Bank charges	1 078	16 076
Other expenses	952 317	1 138 159
	<b>2 922 658</b>	<b>3 411 250</b>

**2.6 Tax expenses**

Tax expenses comprise the following (in CHF):

	<b>2020</b>	<b>2019</b>
Income taxes	75 442	32 000
Capital taxes	36 995	91 687
	<b>112 437</b>	<b>123 687</b>

**3. Other information required by law****3.1 Name, legal form and registered office**

BB Biotech AG is a limited company according to the Swiss Code of Obligation and has its registered office at Schwertstrasse 6 in Schaffhausen.

**3.2 Declaration of number of full-time equivalents**

The number of full-time equivalents did not exceed 10 in the calendar year 2020 (2019: below 10).

**3.3 Investments**

Investments of BB Biotech AG comprise, in the business years 2020 and 2019, the following subsidiaries:

<b>Company</b>	<b>Capital in CHF 1 000</b>	<b>Capital and voting interest in %</b>
Biotech Focus N.V., Curaçao	11	100
Biotech Growth N.V., Curaçao	11	100
Biotech Invest N.V., Curaçao	11	100
Biotech Target N.V., Curaçao	11	100

**3.4 Treasury shares (balances and change)**

Treasury shares are partly held by the Company directly and partly by its 100% subsidiary Biotech Target N.V. indirectly.

	BB Biotech AG	Biotech Target N.V.	Total
<b>Balance at January 1, 2019</b>	–	–	–
<b>Balance at December 31, 2019</b>	–	–	–
Purchases Biotech Target N.V. at an average price of CHF 71.83	–	114 998	114 998
Sales Biotech Target N.V. at an average price of CHF 60.18	–	(336)	(336)
<b>Balance at December 31, 2020</b>	–	<b>114 662</b>	<b>114 662</b>

**3.5 Audit fees**

The audit fees comprise the following (in CHF):

	2020	2019
Audit fees	120 000	120 000
Audit-related fees	2 800	2 000
	<b>122 800</b>	<b>122 000</b>

**3.6 Commitments and contingencies**

The Company had no commitments or other off-balance sheet transactions open at December 31, 2020 (2019: none).

The operations of the Company are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. The Board of Directors concludes that as at December 31, 2020, no proceedings existed which could have any material effect on the financial position of the Company (2019: none).

**3.7 Subsequent events**

There have been no events subsequent to December 31, 2020, which would affect the 2020 financial statements.

**4. Other information****4.1 Significant shareholders**

The Board of Directors is not aware of any major shareholder with a holding exceeding 3% of all votes as at December 31, 2020 and 2019.

**4.2 Statement of holdings of the Board of Directors**

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

	<b>2020</b>	<b>2019</b>
Dr. Erich Hunziker, Chairman	957 884	1 457 884
Dr. Clive Meanwell, Vice-Chairman	5 163	5 163
Dr. Susan Galbraith	–	–
Prof. Dr. Mads Krosggaard Thomsen	–	–
Dr. Thomas von Planta	12 000	12 000

**4.3 Management contracts**

On behalf of the Company, the Board of Directors has entered into a management contract with Bellevue Asset Management AG (investment manager). In this contract, the investment manager commits to carry out management services relating to the investment activity and management of BB Biotech AG. Under this contract the Company paid in the business year 2020 CHF 723 837 (2019: CHF 737 585) to Bellevue Asset Management AG.

**4.4 Annual report and cash flow statement**

Due to the fact that BB Biotech AG prepares consolidated financial statements in accordance with a recognized international accounting standard (IFRS), the Company doesn't prepare, in line with the legal requirements, an annual report and cash flow statement.

**5. Movements on retained earnings**

<b>in CHF</b>	<b>2020</b>	<b>2019</b>
Retained earnings at the beginning of the year	919 777 517	203 359 206
Dividend	(188 360 000)	(168 970 000)
Net income for the year	187 508 264	885 388 313
<b>Retained earnings at the end of the year</b>	<b>918 925 781</b>	<b>919 777 517</b>

**6. Proposal of the Board of Directors for the appropriation of retained earnings**

<b>in CHF</b>	<b>2020 Proposal of the Board</b>	<b>2019 Resolution passed at the AGM</b>
Retained earnings at the disposal of the Annual General Meeting	918 925 781	919 777 517
Dividend	199 440 000	188 360 000
Carry forward to the next period	719 485 781	731 417 517
	<b>918 925 781</b>	<b>919 777 517</b>

# REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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## Report of the statutory auditor to the General Meeting of BB Biotech AG

### Opinion

We have audited the financial statements of BB Biotech AG, which comprise the balance sheet as at 31 December 2020, statement of income and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the «Auditor's responsibilities for the audit of the financial statements» section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Our audit approach

### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

### Overall materiality

CHF 11 819 128

### How we determined it

1% of total shareholders' equity

**Rationale for the materiality benchmark applied**

We chose shareholders' equity as the benchmark because, in our view, it is the most relevant benchmark for investors and it is a generally accepted benchmark for investment companies.

**Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

**Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

We have determined that there are no key audit matters to communicate in our report.

**Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

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

**Daniel Pajer**

Audit expert  
Auditor in charge

**Roland Holl**

Audit expert

Zurich, 17 February 2021

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

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