

# Financial Report

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# Consolidated balance sheet as at December 31

| in CHF 1 000                                      | Notes | 2022             | 2021             |
|---|-------|------------------|------------------|
| <b>Current assets</b>                             |       |                  |                  |
| Cash and cash equivalents                         |       | 1 948            | 2 835            |
| Securities  | 4     | 3 051 349        | 3 641 112        |
| Other assets                                      |       | 92               | 135              |
|   |       | <b>3 053 389</b> | <b>3 644 082</b> |
| <b>Total assets</b>                               |       | <b>3 053 389</b> | <b>3 644 082</b> |
| <b>Current liabilities</b>                        |       |                  |                  |
| Short-term borrowings from banks                  | 5     | 363 000          | 355 000          |
| Other short-term liabilities                      | 6     | 4 143            | 5 431            |
| Tax liabilities                                   |       | 111              | 158              |
|   |       | <b>367 254</b>   | <b>360 589</b>   |
| <b>Total liabilities</b>                          |       | <b>367 254</b>   | <b>360 589</b>   |
| <b>Shareholders' equity</b>                       |       |                  |                  |
| Share capital                                     | 7     | 11 080           | 11 080           |
| Treasury shares                                   | 7     | (36 508)         | (9 205)          |
| Retained earnings                                 | 7     | 2 711 563        | 3 281 618        |
|   |       | <b>2 686 135</b> | <b>3 283 493</b> |
| <b>Total liabilities and shareholders' equity</b> |       | <b>3 053 389</b> | <b>3 644 082</b> |
| Net asset value per share in CHF                  |       | 49.00            | 59.40            |

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 14, 2023.

# Consolidated statement of comprehensive income for the year ended December 31

| in CHF 1 000  | Notes | 2022             | 2021             |
|---|-------|------------------|------------------|
| <b>Operating income</b>                                 |       |                  |                  |
| Interest income   |       | 4                | –                |
| Foreign exchange gains                                  |       | 1 253            | –                |
| Other income  |       | 4                | 4                |
|   |       | <b>1 261</b>     | <b>4</b>         |
| <b>Operating expenses</b>                               |       |                  |                  |
| Net losses from securities                              | 4     | (314 265)        | (343 595)        |
| Finance expenses  |       | (1 726)          | (986)            |
| Foreign exchange losses                                 |       | –                | (962)            |
| Administrative expenses                                 | 8     | (38 747)         | (52 595)         |
| Other expenses  | 9     | (4 274)          | (6 607)          |
|   |       | <b>(359 012)</b> | <b>(404 745)</b> |
| <b>Profit/(loss) before tax</b>                         | 12    | <b>(357 751)</b> | <b>(404 741)</b> |
| Income taxes  | 10    | (61)             | (67)             |
| <b>Profit/(loss) for the period</b>                     |       | <b>(357 812)</b> | <b>(404 808)</b> |
| <b>Total comprehensive profit/(loss) for the period</b> |       | <b>(357 812)</b> | <b>(404 808)</b> |
| Income per share in CHF                                 | 11    | (6.50)           | (7.31)           |
| Diluted income per share in CHF                         | 11    | (6.50)           | (7.31)           |

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, 2021</b>        | <b>11 080</b> | <b>(8 241)</b>  | <b>3 884 708</b>  | <b>3 887 547</b> |
| Dividend (CHF 3.60 per share)             | –             | –               | (199 440)         | (199 440)        |
| Trade with treasury shares                | –             | (964)           | 1 158             | 194              |
| Total comprehensive income for the period | –             | –               | (404 808)         | (404 808)        |
| <b>Balances at December 31, 2021</b>      | <b>11 080</b> | <b>(9 205)</b>  | <b>3 281 618</b>  | <b>3 283 493</b> |
| <b>Balances at January 1, 2022</b>        | <b>11 080</b> | <b>(9 205)</b>  | <b>3 281 618</b>  | <b>3 283 493</b> |
| Dividend (CHF 3.85 per share)             | –             | –               | (212 242)         | (212 242)        |
| Trade with treasury shares                | –             | (27 303)        | –                 | (27 303)         |
| Total comprehensive income for the period | –             | –               | (357 812)         | (357 812)        |
| <b>Balances at December 31, 2022</b>      | <b>11 080</b> | <b>(36 508)</b> | <b>2 711 563</b>  | <b>2 686 135</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 | 2022             | 2021            |
|---|-------|------------------|-----------------|
| <b>Cash flows from operating activities</b>                     |       |                  |                 |
| Proceeds from sales of securities                               | 4     | 476 186          | 926 988         |
| Purchase of securities  | 4     | (200 687)        | (962 091)       |
| Interest receipts   |       | 4                | –               |
| Payments for services   |       | (44 275)         | (59 545)        |
| Income taxes paid   |       | (97)             | (139)           |
| <b>Total cash flows from operating activities</b>               |       | <b>231 131</b>   | <b>(94 787)</b> |
| <b>Cash flows from financing activities</b>                     |       |                  |                 |
| Dividend  |       | (212 242)        | (199 440)       |
| Proceeds from sales of treasury shares                          | 7     | –                | 9 653           |
| Purchase of treasury shares                                     | 7     | (27 303)         | (9 459)         |
| Borrowing of bank loans   | 5     | 8 000            | 292 000         |
| Interest payments   |       | (1 726)          | (986)           |
| <b>Total cash flows from financing activities</b>               |       | <b>(233 271)</b> | <b>91 768</b>   |
| Foreign exchange difference                                     |       | 1 253            | (962)           |
| <b>Change in cash and cash equivalents</b>                      |       | <b>(887)</b>     | <b>(3 981)</b>  |
| <b>Cash and cash equivalents at the beginning of the period</b> |       | <b>2 835</b>     | <b>6 816</b>    |
| <b>Cash and cash equivalents at the end of the period</b>       |       | <b>1 948</b>     | <b>2 835</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/Switzerland, 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<br>in CHF 1 000 | Capital and<br>voting interest<br>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 issued by the IASB, as well as the provisions of the rules of the SIX Swiss Exchange for Investment Companies for the period January 1, 2022, until December 31, 2022. 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, 2022, have been applied in these consolidated financial statements.

- 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 impact of the above-mentioned amended standards. Based on the analysis, the Group concluded 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, 2023) – Classification of Liabilities as Current or Noncurrent
- IAS 1 (amended, effective January 1, 2023) – Disclosure of Accounting Policies
- IAS 12 (amended, effective January 1, 2023) – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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:

| Currency | 31.12.2022 | 31.12.2021 |
|----------|------------|------------|
| USD      | 0.92450    | 0.91290    |
| ANG      | 0.51938    | 0.51287    |
| EUR      | 0.98956    | 1.03740    |
| GBP      | 1.11870    | 1.23390    |

### 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 generally financial assets held as part of a business model to collect contractual cash flows that are solely payments of interest and principal on the principal outstanding. 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. [Note 4](#) discloses further details on fair values of financial instruments not traded in active markets.

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, 2022 and 2021, 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 Group's business is to invest in biotechnology companies with the aim of asset growth. Consequently, it is exposed to market risks of this industry. The individual securities are disclosed in [note 4](#) and the valuation is made at fair value. Consequently, any price changes are reflected accordingly by the changes in fair value in the context of the subsequent valuation.

The annual volatility of registered shares BB Biotech AG (reference volatility for the marketable securities) for 2022 is 32.64% (2021: 22.73%). At December 31, 2022, had the value of listed securities increased or decreased by 32.64% (2021: 22.73%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 990.7 mn (2021: CHF 827.1 mn).

At December 31, 2022 the Company holds one investment in unlisted shares (2021: none).

### **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>2022</b> | <b>Net exposure<br/>31.12.<br/>(in CHF 1 000)</b> | <b>Annual<br/>volatility<br/>(in %)</b> | <b>Potential<br/>impact<br/>(in CHF 1 000)<sup>1</sup></b> |
|-------------|---|---|--|
| USD         | 3 051 509   | 9.37                                    | 285 804  |
| ANG         | 12  | 9.37                                    | 1  |
| <b>2021</b> |   |   |  |
| USD         | 3 642 324   | 6.46                                    | 235 185  |
| ANG         | 128   | 6.46                                    | 8  |

<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):

| <b>At December 31, 2022</b>      | <b>Less than<br/>1 month</b> | <b>1–3 months</b> | <b>More than<br/>3 months /<br/>no stated<br/>maturity</b> |
|----------------------------------|------------------------------|-------------------|--|
| Short-term borrowings from banks | 363 000                      | –                 | –  |
| Other short-term liabilities     | 3 439                        | 704               | –  |
| <b>Total liabilities</b>         | <b>366 439</b>               | <b>704</b>        | <b>–</b>   |
| <b>At December 31, 2021</b>      |                              |                   |  |
| Short-term borrowings from banks | 355 000                      | –                 | –  |
| Other short-term liabilities     | 4 737                        | 694               | –  |
| <b>Total liabilities</b>         | <b>359 737</b>               | <b>694</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, 2022, the Group held eight core investments, representing 66% (2021: seven core investments, 50%) of the portfolio. The portfolio is – in line with the strategy – concentrated on a limited number of investments. Risk diversification is therefore limited.

## 4. Financial assets

### Fair values

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

| 2022                     | Level 1          | Level 2  | Level 3       | Total            |
|--------------------------|------------------|----------|---------------|------------------|
| <b>Assets</b>            |                  |          |               |                  |
| Securities               |                  |          |               |                  |
| – Shares                 | 3 035 170        | –        | 16 179        | 3 051 349        |
| – Derivative instruments | –                | –        | –             | –                |
| <b>Total assets</b>      | <b>3 035 170</b> | <b>–</b> | <b>16 179</b> | <b>3 051 349</b> |
| <b>2021</b>              |                  |          |               |                  |
| <b>Assets</b>            |                  |          |               |                  |
| Securities               |                  |          |               |                  |
| – Shares                 | 3 638 890        | –        | –             | 3 638 890        |
| – Derivative instruments | –                | –        | 2 222         | 2 222            |
| <b>Total assets</b>      | <b>3 638 890</b> | <b>–</b> | <b>2 222</b>  | <b>3 641 112</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, 2022, the Company holds one level 3 instrument (December 31, 2021: one).

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

|  | 2022          | 2021         |
|--|---------------|--------------|
| Opening balance  | 2 222         | 2 155        |
| Purchases  | 16 875        | –            |
| Sales  | (5 071)       | –            |
| Realized gains/(losses) included in net gain/loss from securities                      | 2 849         | –            |
| Unrealized gains/(losses) included in net gain/loss from securities                    | (697)         | 67           |
| <b>Closing balance</b>   | <b>16 179</b> | <b>2 222</b> |
| <b>Gains/(losses) on level 3 instruments included in net gain/loss from securities</b> | <b>2 152</b>  | <b>67</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.

The level 3 instrument as at December 31, 2021, (Valuation: TCHF 2 222) was allocated as part of a corporate action in 2019 and sold at a value of TCHF 5 071 in March 2022.

The fair value of the level 3 instrument at initial recognition represents the transaction price (purchase of Series B-1 Preferred Stock of Rivus Pharmaceuticals in August 2022 for TCHF 16 875), which was paid in a financing round together with other investors. For the valuation as at December 31, 2022, it is deemed to be appropriate to use the transaction price in USD, as it is a reasonable approximation of fair value at the valuation date given the fact that no events occurred which significantly impact the fair value.

In August 2022, 8 733 538 Contingent Value Rights were allocated from a corporate action. The valuation as of December 31, 2022, is CHF 0.

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

## 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 01.01.2021 at fair values</b> | <b>3 952 504</b> | <b>–</b>        | <b>2 155</b>           | <b>3 954 659</b> |
| Purchases  | 955 515          | –               | –                      | 955 515          |
| Sales  | (925 467)        | –               | –                      | (925 467)        |
| Net gains/(losses) from securities                     | (343 662)        | –               | 67                     | (343 595)        |
| <i>Realized gains</i>                                  | 312 779          | –               | –                      | 312 779          |
| <i>Realized losses</i>                                 | (1 831)          | –               | (2 330)                | (4 161)          |
| <i>Unrealized gains</i>                                | 437 584          | –               | 67                     | 437 651          |
| <i>Unrealized losses</i>                               | (1 092 194)      | –               | 2 330                  | (1 089 864)      |
| <b>Closing balance as at 31.12.2021 at fair values</b> | <b>3 638 890</b> | <b>–</b>        | <b>2 222</b>           | <b>3 641 112</b> |
| <b>Opening balance as at 01.01.2022 at fair values</b> | <b>3 638 890</b> | <b>–</b>        | <b>2 222</b>           | <b>3 641 112</b> |
| Purchases  | 183 812          | 16 875          | –                      | 200 687          |
| Sales  | (471 115)        | –               | (5 071)                | (476 186)        |
| Net gains/(losses) from securities                     | (316 417)        | (697)           | 2 849                  | (314 265)        |
| <i>Realized gains</i>                                  | 47 563           | –               | 2 849                  | 50 412           |
| <i>Realized losses</i>                                 | (79 326)         | –               | –                      | (79 326)         |
| <i>Unrealized gains</i>                                | 437 200          | –               | –                      | 437 200          |
| <i>Unrealized losses</i>                               | (721 854)        | (697)           | –                      | (722 551)        |
| <b>Closing balance as at 31.12.2022 at fair values</b> | <b>3 035 170</b> | <b>16 179</b>   | <b>–</b>               | <b>3 051 349</b> |



Securities comprise the following:

| Company  | Number<br>31.12.2021 | Change      | Number<br>31.12.2022 | Market price in<br>original currency<br>31.12.2022 | Valuation<br>CHF mn<br>31.12.2022 | Valuation<br>CHF mn<br>31.12.2021 |                |
|--|----------------------|-------------|----------------------|--|-----------------------------------|-----------------------------------|----------------|
| Ionis Pharmaceuticals                                | 10 232 973           | (597 973)   | 9 635 000            | USD  | 37.77                             | 336.4                             | 284.3          |
| Argenx SE  | 970 538              | (78 035)    | 892 503              | USD  | 378.83                            | 312.6                             | 310.3          |
| Neurocrine Biosciences                               | 3 015 400            | (285 400)   | 2 730 000            | USD  | 119.44                            | 301.5                             | 234.5          |
| Moderna  | 1 663 349            | (161 398)   | 1 501 951            | USD  | 179.62                            | 249.4                             | 385.7          |
| Vertex Pharmaceuticals                               | 1 030 000            | (99 477)    | 930 523              | USD  | 288.78                            | 248.4                             | 206.5          |
| Incyte   | 2 897 000            | (5 923)     | 2 891 077            | USD  | 80.32                             | 214.7                             | 194.1          |
| Alnylam Pharmaceuticals                              | 1 110 000            | (220 000)   | 890 000              | USD  | 237.65                            | 195.5                             | 171.8          |
| Intra-Cellular Therapies                             | 3 538 419            | (246 940)   | 3 291 479            | USD  | 52.92                             | 161.0                             | 169.1          |
| Myovant Sciences                                     | 6 122 039            | (249 400)   | 5 872 639            | USD  | 26.96                             | 146.4                             | 87.0           |
| Revolution Medicines                                 | 3 421 462            | 1 356 100   | 4 777 562            | USD  | 23.82                             | 105.2                             | 78.6           |
| Agios Pharmaceuticals                                | 4 312 292            | (281 500)   | 4 030 792            | USD  | 28.08                             | 104.6                             | 129.4          |
| Sage Therapeutics                                    | 3 170 104            | (219 826)   | 2 950 278            | USD  | 38.14                             | 104.0                             | 123.1          |
| Celldex Therapeutics                                 | -                    | 1 800 000   | 1 800 000            | USD  | 44.57                             | 74.2                              | -              |
| Arvinas  | 2 176 903            | (40 491)    | 2 136 412            | USD  | 34.21                             | 67.6                              | 163.2          |
| Relay Therapeutics                                   | 4 085 962            | 34 758      | 4 120 720            | USD  | 14.94                             | 56.9                              | 114.6          |
| Macrogenics  | 7 275 564            | 1 654 399   | 8 929 963            | USD  | 6.71                              | 55.4                              | 106.6          |
| Fate Therapeutics                                    | 3 701 336            | 1 138 443   | 4 839 779            | USD  | 10.09                             | 45.1                              | 197.7          |
| Exelixis   | 2 835 000            | (180 500)   | 2 654 500            | USD  | 16.04                             | 39.4                              | 47.3           |
| Crispr Therapeutics                                  | 949 584              | (60 979)    | 888 605              | USD  | 40.65                             | 33.4                              | 65.7           |
| Wave Life Sciences                                   | 4 602 858            | (108 400)   | 4 494 458            | USD  | 7.00                              | 29.1                              | 13.2           |
| Beam Therapeutics                                    | 606 821              | 86 300      | 693 121              | USD  | 39.11                             | 25.1                              | 44.1           |
| Esperion Therapeutics                                | 4 477 964            | (283 900)   | 4 194 064            | USD  | 6.23                              | 24.2                              | 20.4           |
| Mersana Therapeutics                                 | 4 135 000            | (68 800)    | 4 066 200            | USD  | 5.86                              | 22.0                              | 23.5           |
| Kezar Life Sciences                                  | 4 918 148            | (1 918 148) | 3 000 000            | USD  | 7.04                              | 19.5                              | 75.1           |
| Essa Pharma  | 5 015 814            | 2 863 769   | 7 879 583            | USD  | 2.52                              | 18.4                              | 65.0           |
| Scholar Rock Holding                                 | 2 275 125            | (142 400)   | 2 132 725            | USD  | 9.05                              | 17.8                              | 51.6           |
| Generation Bio Co.                                   | 3 853 180            | (244 900)   | 3 608 280            | USD  | 3.93                              | 13.1                              | 24.9           |
| Black Diamond Therapeutics                           | 3 440 000            | 1 937 839   | 5 377 839            | USD  | 1.80                              | 8.9                               | 16.7           |
| Molecular Templates                                  | 10 792 003           | 400 000     | 11 192 003           | USD  | 0.33                              | 3.4                               | 38.6           |
| Homology Medicines                                   | 1 737 122            | (114 600)   | 1 622 522            | USD  | 1.26                              | 1.9                               | 5.8            |
| Biogen   | 500 000              | (500 000)   | -                    | USD  | n.a.                              | -                                 | 109.5          |
| Radius Health  | 7 705 714            | (7 705 714) | -                    | USD  | n.a.                              | -                                 | 48.7           |
| Nektar Therapeutics                                  | 2 620 676            | (2 620 676) | -                    | USD  | n.a.                              | -                                 | 32.3           |
| <b>Listed shares</b>                                 |                      |             |                      |  |                                   | <b>3 035.2</b>                    | <b>3 638.9</b> |
| Rivus Pharmaceuticals                                |                      |             |                      | USD  |                                   | 16.2                              | -              |
| <b>Unlisted shares</b>                               |                      |             |                      |  |                                   | <b>16.2</b>                       | <b>-</b>       |
| <b>Total shares</b>                                  |                      |             |                      |  |                                   | <b>3 051.3</b>                    | <b>3 638.9</b> |
| Radius Health –<br>Contingent Value Right            | -                    | 8 733 538   | 8 733 538            | USD  | 0.00                              | -                                 | -              |
| Alder Biopharmaceuticals –<br>Contingent Value Right | 2 766 008            | (2 766 008) | -                    | USD  | n.a.                              | -                                 | 2.2            |
| <b>Total derivative instruments</b>                  |                      |             |                      |  |                                   | <b>-</b>                          | <b>2.2</b>     |
| <b>Total securities</b>                              |                      |             |                      |  |                                   | <b>3 051.3</b>                    | <b>3 641.1</b> |

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

## 5. Short-term borrowings from banks

At December 31, 2022, a CHF 363 mn short-term loan is outstanding, with interest payable at 1.36% p.a. (2021: CHF 355 mn at 0.40% p.a.).

## 6. Other short-term liabilities

Other short-term liabilities comprise the following:

| in CHF 1 000                              | 31.12.2022   | 31.12.2021   |
|---|--------------|--------------|
| Payables to investment manager            | 2 978        | 3 966        |
| Other liabilities                         | 1 165        | 1 465        |
| <b>Total liabilities to third parties</b> | <b>4 143</b> | <b>5 431</b> |

## 7. Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (2021: 55.4 mn registered shares) with a par value of CHF 0.20 each (2021: CHF 0.20). CHF 2.2 mn of the retained earnings (2021: CHF 2.2 mn) are undistributable.

| in CHF 1 000                              | Share capital | Treasury shares | Retained earnings | Total            |
|---|---------------|-----------------|-------------------|------------------|
| <b>Balances at January 1, 2021</b>        | <b>11 080</b> | <b>(8 241)</b>  | <b>3 884 708</b>  | <b>3 887 547</b> |
| Dividend (CHF 3.60 per share)             | –             | –               | (199 440)         | (199 440)        |
| Trade with treasury shares                | –             | (964)           | 1 158             | 194              |
| Total comprehensive income for the period | –             | –               | (404 808)         | (404 808)        |
| <b>Balances at December 31, 2021</b>      | <b>11 080</b> | <b>(9 205)</b>  | <b>3 281 618</b>  | <b>3 283 493</b> |
| <b>Balances at January 1, 2022</b>        | <b>11 080</b> | <b>(9 205)</b>  | <b>3 281 618</b>  | <b>3 283 493</b> |
| Dividend (CHF 3.85 per share)             | –             | –               | (212 242)         | (212 242)        |
| Trade with treasury shares                | –             | (27 303)        | –                 | (27 303)         |
| Total comprehensive income for the period | –             | –               | (357 812)         | (357 812)        |
| <b>Balances at December 31, 2022</b>      | <b>11 080</b> | <b>(36 508)</b> | <b>2 711 563</b>  | <b>2 686 135</b> |

At December 31, 2022 and 2021, 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, 2022, to December 31, 2022, the Company has purchased 446 574 treasury shares at an average price of CHF 61.14 to the amount of TCHF 27 303 and the Company has not sold any treasury shares (01.01.–31.12.2021: Purchase of 110 336 treasury shares to the amount of TCHF 9 459; sales of 117 572 treasury shares to the amount of TCHF 9 653). As at December 31, 2022, the Company holds 554 000 treasury shares (December 31, 2021: 107 426 shares). The treasury shares as at December 31, 2022, were treated as a deduction from the consolidated shareholders' equity using cost values of TCHF 36 508 (December 31, 2021: TCHF 9 205).

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

In April 2019, the Board of Directors approved the repurchase of a maximum of 5 540 000 own registered shares with a nominal value of CHF 0.20 each. Until the end of the program, at April 11, 2022, 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 13, 2022 until April 11, 2025 at the latest. Until December 31, 2022, no shares had been repurchased under this share buy-back program. The repurchase will take place via second trading line for the purpose of a subsequent capital reduction.

## 8. Administrative expenses

Administrative expenses comprise the following:

| in CHF 1 000                                | 2022          | 2021          |
|---|---------------|---------------|
| <b>Investment manager</b>                   |               |               |
| – Management fees (incl. VAT)               | 36 497        | 50 681        |
| <b>Personnel</b>                            |               |               |
| – Board of Directors remuneration           | 1 550         | 1 288         |
| – Wages and salaries                        | 578           | 525           |
| – Social insurance contributions and duties | 122           | 101           |
|   | <b>38 747</b> | <b>52 595</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

Other expenses comprise the following:

| in CHF 1 000                      | 2022         | 2021         |
|-----------------------------------|--------------|--------------|
| Bank charges                      | 516          | 644          |
| Marketing and financial reporting | 1 171        | 1 293        |
| Legal and consulting expenses     | 288          | 524          |
| Transaction costs                 | 985          | 2 772        |
| Other expenses                    | 1 314        | 1 374        |
|                                   | <b>4 274</b> | <b>6 607</b> |

## 10. Income taxes

| in CHF 1 000   | 2022      | 2021      |
|--|-----------|-----------|
| Operating income before tax  | (357 751) | (404 741) |
| Expected tax rate (Direct federal, cantonal and communal tax)                | 14.2%     | 14.3%     |
| Expected income tax  | (50 729)  | (57 878)  |
| Difference between effective local tax rates and the expected Swiss tax rate | (50 790)  | (57 945)  |
| <b>Total income tax</b>  | <b>61</b> | <b>67</b> |

In the current year, the average effective income tax rate on a consolidated basis was less than 1% (2021: <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, 2022, there is no nettable loss carry forward (2021: none).

## 11. Earnings per share

|   | 2022          | 2021          |
|---|---------------|---------------|
| Total comprehensive profit/(loss) for the period (in CHF 1 000)   | (357 812)     | (404 808)     |
| Weighted average number of shares in issue                        | 55 011 338    | 55 363 670    |
| <b>Income per share in CHF</b>                                    | <b>(6.50)</b> | <b>(7.31)</b> |
| Income used to determine diluted income per share (in CHF 1 000)  | (357 812)     | (404 808)     |
| Weighted average number of shares in issue following the dilution | 55 011 338    | 55 363 670    |
| <b>Diluted income per share in CHF</b>                            | <b>(6.50)</b> | <b>(7.31)</b> |

## 12. Segment reporting

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 in CHF 1 000</b> | <b>2022</b>      | <b>2021</b>      |
|--|------------------|------------------|
| Great Britain                                | 62 370           | (54 533)         |
| Netherlands                                  | 23 715           | 60 946           |
| Singapore                                    | 15 976           | (13 003)         |
| Switzerland                                  | (32 542)         | (61 874)         |
| Curaçao                                      | (39 717)         | (54 726)         |
| Canada                                       | (57 337)         | (29 966)         |
| USA  | (330 216)        | (251 585)        |
|  | <b>(357 751)</b> | <b>(404 741)</b> |

### 13. Assets pledged

At December 31, 2022, the securities in the amount of CHF 3 051.3 mn (2021: CHF 3 641.1 mn) are a collateral for a credit line of CHF 700 mn (2021: CHF 700 mn). At December 31, 2022, a CHF 363 mn short-term loan is outstanding (2021: CHF 355 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, 2022 (2021: 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, 2022, no proceedings existed which could have any material effect on the financial position of the Group (2021: none).



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

| 2022  | Financial assets<br>at amortized<br>cost | Financial<br>instruments<br>at fair value<br>through profit<br>or loss | Financial<br>liabilities at<br>amortized cost | Total     |
|---|--|--|---|-----------|
| <b>Profit and loss from financial instruments</b> |  |  |   |           |
| Interest income                                   | 4  | –  | –   | 4         |
| Net losses from securities                        | –  | (314 265)  | –   | (314 265) |
| Foreign exchange gains                            | 1 253                                    | –  | –   | 1 253     |
| Finance expenses                                  | –  | –  | (1 726)                                       | (1 726)   |
| <b>2021</b>                                       |  |  |   |           |
| <b>Profit and loss from financial instruments</b> |  |  |   |           |
| Foreign exchange gains net                        | –  | (343 595)  | –   | (343 595) |
| Finance expenses                                  | –  | –  | (986)   | (986)     |
| Foreign exchange losses                           | (962)                                    | –  | –   | (962)     |

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

The investment 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 (2021: 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, 2022 and 2021.

## 18. Subsequent events

There have been no events subsequent to December 31, 2022, which would affect the 2022 consolidated financial statements.

# Report on the Audit of the Consolidated Financial Statement

## To the General Meeting of BB Biotech AG

### Opinion

We have audited the consolidated financial statements of BB Biotech AG (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for Opinion

We conducted our audit in accordance with Swiss law, the International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

### Key audit matter

#### Valuation of investment securities

The investment portfolio as of December 31, 2022 comprises investments in marketable and non-marketable securities.

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 3 051 million or 99.9% of total assets (previous year CHF 3 641 million or 99.9% 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 gained an understanding of the controls in place related 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.

To audit the valuation of the investment securities we performed 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 testing the most important input factors applied in the valuation;
- We obtained sufficient audit evidence to address the risk that the valuation methods were both appropriate and consistently applied by the Investment Manager.

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

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 directly from the custodian.

We obtained sufficient audit evidence to address the risk of insufficient legal entitlement to the securities portfolio.

**Other Matter**

The consolidated financial statements of the Group for the year ended December 31, 2021, were audited by another auditor whose report, dated February 16, 2022, expressed an unqualified opinion on those consolidated financial statements.

**Other Information**

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

Our opinion on the consolidated financial statements does not cover the other information 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 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.

**Board of Directors' Responsibilities for the Consolidated Financial Statements**

The Board of Directors is responsible for preparing the consolidated financial statements, which give a true and fair view in accordance with IFRS 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, the ISA and SA-CH 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.

As part of an audit in accordance with Swiss law, ISA and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We

describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 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.

Deloitte AG

**Marcel Meyer**  
Licensed Audit Expert  
Auditor in Charge

**Alexander Kosovan**  
Licensed Audit Expert

Zurich, February 17, 2023

# Balance sheet as at December 31

| in CHF  | Notes | 2022                 | 2021                 |
|---|-------|----------------------|----------------------|
| <b>Current assets</b>                             |       |                      |                      |
| Cash and cash equivalents                         |       | 116 430              | 146 964              |
| Other current receivables                         |       | 5 558 139            | 6 080 156            |
|   |       | <b>5 674 569</b>     | <b>6 227 120</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>1 182 744 069</b> | <b>1 183 296 620</b> |
| <b>Current liabilities</b>                        |       |                      |                      |
| Other current liabilities                         | 2.1   | 325 013              | 403 102              |
| Accrued expenses                                  |       | 509 994              | 610 326              |
|   |       | <b>835 007</b>       | <b>1 013 428</b>     |
| <b>Total liabilities</b>                          |       | <b>835 007</b>       | <b>1 013 428</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>       |       | 36 508 182           | 9 205 288            |
| Other reserves                                    |       | 190 319 574          | 217 622 468          |
| Retained earnings                                 | 5/6   | 918 922 082          | 919 296 212          |
|   |       | <b>1 181 909 062</b> | <b>1 182 283 192</b> |
| <b>Total liabilities and shareholders' equity</b> |       | <b>1 182 744 069</b> | <b>1 183 296 620</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 14, 2023.

# Statement of income for the year ended December 31

| in CHF  | Notes | 2022               | 2021               |
|---|-------|--------------------|--------------------|
| <b>Operating income</b>                                 |       |                    |                    |
| Income from investments                                 |       | 211 500 000        | 199 406 600        |
| Other income  | 2.3   | 5 469 937          | 5 948 206          |
|   |       | <b>216 969 937</b> | <b>205 354 806</b> |
| <b>Operating expenses</b>                               |       |                    |                    |
| Administrative expenses                                 | 2.4   | (2 311 619)        | (2 320 327)        |
| Other expenses  | 2.5   | (2 658 296)        | (3 085 502)        |
|   |       | <b>(4 969 915)</b> | <b>(5 405 829)</b> |
| <b>Operating income before finance income and taxes</b> |       | <b>212 000 022</b> | <b>199 948 977</b> |
| Finance income  |       | 3 935              | 439                |
| Finance expenses  |       | (17 494)           | (15 645)           |
| <b>Operating income before tax</b>                      |       | <b>211 986 463</b> | <b>199 933 771</b> |
| Tax expenses  | 2.6   | (118 794)          | (123 340)          |
| <b>Net income for the year</b>                          |       | <b>211 867 669</b> | <b>199 810 431</b> |

# Notes to the financial statements

## BB Biotech AG

### 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):

|                    | 2022           | 2021           |
|--------------------|----------------|----------------|
| Third parties      | 266 770        | 325 557        |
| Investment Manager | 58 243         | 77 545         |
|                    | <b>325 013</b> | <b>403 102</b> |

### 2.2 Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (2021: 55.4 mn registered shares) with a par value of CHF 0.20 each (2021: CHF 0.20).

In April 2019, the Board of Directors approved the repurchase of a maximum of 5 540 000 own registered shares with a nominal value of CHF 0.20 each. Until the end of the program, at April 11, 2022, 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 13, 2022 until April 11, 2025 at the latest. Until December 31, 2022, no shares had been repurchased under this share buy-back program. The repurchase will take place via second trading line for the purpose of a subsequent capital reduction.

At December 31, 2022 and 2021, the Company has neither authorized nor conditional capital.

### 2.3 Other income

Other income comprises the following (in CHF):

|                       | 2022             | 2021             |
|-----------------------|------------------|------------------|
| Income group services | 5 466 000        | 5 945 000        |
| Other income          | 3 937            | 3 206            |
|                       | <b>5 469 937</b> | <b>5 948 206</b> |

### 2.4 Administrative expenses

Administrative expenses comprise the following (in CHF):

|                                 | 2022             | 2021             |
|---------------------------------|------------------|------------------|
| Board compensation              | 1 595 935        | 1 332 853        |
| Investment manager compensation | 663 577          | 921 468          |
| Staff costs                     | 52 107           | 66 007           |
|                                 | <b>2 311 619</b> | <b>2 320 327</b> |

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



## 2.5 Other expenses

Other expenses comprise the following (in CHF):

|                                   | 2022             | 2021             |
|-----------------------------------|------------------|------------------|
| Marketing and financial reporting | 1 170 645        | 1 293 068        |
| Consulting and audit              | 287 701          | 524 201          |
| Bank charges                      | 1 159            | 1 039            |
| Other expenses                    | 1 198 791        | 1 267 194        |
|                                   | <b>2 658 296</b> | <b>3 085 502</b> |

## 2.6 Tax expenses

Tax expenses comprise the following (in CHF):

|               | 2022           | 2021           |
|---------------|----------------|----------------|
| Income taxes  | 61 027         | 67 338         |
| Capital taxes | 57 766         | 56 002         |
|               | <b>118 794</b> | <b>123 340</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 2022 (2021: below 10).

### 3.3 Investments

Investments of BB Biotech AG comprise, in the business years 2022 and 2021, the following subsidiaries:

| Company                      | Capital<br>in CHF 1 000 | Capital and<br>voting interest<br>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                                    |

### 3.4 Treasury shares (balances and change)

Treasury shares are held indirectly by its 100% subsidiary Biotech Target N.V.

|  | Biotech Target<br>N.V. | Total          |
|--|------------------------|----------------|
| <b>Balance at January 1, 2021</b>                              | <b>114 662</b>         | <b>114 662</b> |
| Purchases Biotech Target N.V. at an average price of CHF 85.73 | 110 336                | 110 336        |
| Sales Biotech Target N.V. at an average price of CHF 82.10     | (117 572)              | (117 572)      |
| <b>Balance at December 31, 2021</b>                            | <b>107 426</b>         | <b>107 426</b> |
| Purchases Biotech Target N.V. at an average price of CHF 61.14 | 446 574                | 446 574        |
| <b>Balance at December 31, 2022</b>                            | <b>554 000</b>         | <b>554 000</b> |

### 3.5 Audit fees

The audit fees comprise the following (in CHF):

|                    | 2022           | 2021           |
|--------------------|----------------|----------------|
| Audit fees         | 120 000        | 120 000        |
| Audit-related fees | 3 000          | –              |
|                    | <b>123 000</b> | <b>120 000</b> |

### 3.6 Commitments and contingencies

The Company had no commitments or other off-balance sheet transactions open at December 31, 2022 (2021: 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, 2022, no proceedings existed which could have any material effect on the financial position of the Company (2021: none).

### 3.7 Subsequent events

There have been no events subsequent to December 31, 2022, which would affect the 2022 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, 2022 and 2021.

## 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:

|                                   | 2022    | 2021    |
|-----------------------------------|---------|---------|
| Dr. Erich Hunziker, Chairman      | 957 884 | 957 884 |
| Dr. Clive Meanwell, Vice-Chairman | 5 163   | 5 163   |
| Laura Hamill                      | –       | n.a.    |
| Dr. Pearl Huang                   | –       | n.a.    |
| Prof. Dr. Mads Krosgaard 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 2022 CHF 663 577 (2021: CHF 921 468) 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

| in CHF  | 2022               | 2021               |
|---|--------------------|--------------------|
| Retained earnings at the beginning of the year  | 919 296 212        | 918 925 781        |
| Dividend  | (212 241 799)      | (199 440 000)      |
| Net income for the year                         | 211 867 669        | 199 810 431        |
| <b>Retained earnings at the end of the year</b> | <b>918 922 082</b> | <b>919 296 212</b> |

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

| in CHF  | 2022<br>Proposal<br>of the Board | 2021<br>Resolution<br>passed at the<br>AGM |
|---|----------------------------------|--|
| Retained earnings at the disposal of the Annual General Meeting | 918 922 082                      | 919 296 212                                |
| Dividend  | 157 890 000                      | 212 241 799                                |
| Carry forward to the next period                                | 761 032 082                      | 707 054 413                                |
|   | <b>918 922 082</b>               | <b>919 296 212</b>                         |

# Report on the Audit of the Financial Statements

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

### Opinion

We have audited the financial statements of BB Biotech AG (the Company), which comprise the balance sheet as at December 31, 2022 and the statement of income for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements 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 Standards on Auditing (SA-CH). 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 Company 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to be communicated in our report.

### Other Matter

The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor whose report, dated February 16, 2022, expressed an unqualified opinion on those financial statements.

### Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

### Board of Directors' Responsibilities 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 Company'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 Company 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 SA-CH 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.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 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.

Deloitte AG

**Marcel Meyer**  
Licensed Audit Expert  
Auditor in Charge

**Alexander Kosovan**  
Licensed Audit Expert

Zurich, February 17, 2023