

CONSOLIDATED BALANCE SHEET

(in CHF 1 000)

	Notes	30.09.2021	31.12.2020
Current assets			
Cash and cash equivalents		1 775	6 816
Receivables from brokers		–	1 521
Securities	4	4 093 103	3 954 659
Other assets		112	139
		4 094 990	3 963 135
Total assets		4 094 990	3 963 135
Current liabilities			
Short-term borrowings from banks	5	248 000	63 000
Payables to brokers		7 779	6 576
Other short-term liabilities		5 814	5 709
Tax liabilities		162	303
		261 755	75 588
Total liabilities		261 755	75 588
Shareholders' equity			
Share capital	6	11 080	11 080
Treasury shares	6	(5 368)	(8 241)
Retained earnings		3 827 523	3 884 708
		3 833 235	3 887 547
Total liabilities and shareholders' equity		4 094 990	3 963 135
Net asset value per share in CHF		69.25	70.30

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

The consolidated financial statements were approved by the Board of Directors of BB Biotech AG on October 19, 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in CHF 1 000)

	Notes	01.01.–30.09.2021	01.01.–30.09.2020	01.07.–30.09.2021	01.07.–30.09.2020
Operating income					
Net gains from securities	4	187 170	61 703	–	–
Interest income		–	7	–	–
Dividend income		–	243	–	–
Other income		4	21	–	18
		187 174	61 974	–	18
Operating expenses					
Net losses from securities	4	–	–	(192 643)	(382 803)
Finance expenses		(648)	(683)	(251)	(192)
Foreign exchange losses		(623)	(429)	(149)	(425)
Administrative expenses	7	(39 806)	(30 690)	(13 821)	(10 902)
Other expenses		(4 943)	(3 632)	(1 515)	(896)
		(46 020)	(35 434)	(208 379)	(395 218)
Profit/(loss) before tax	8	141 154	26 540	(208 379)	(395 200)
Income taxes		(57)	(51)	(19)	(17)
Profit/(loss) for the period		141 097	26 489	(208 398)	(395 217)
Total comprehensive profit/(loss) for the period		141 097	26 489	(208 398)	(395 217)
Earnings/(loss) per share in CHF		2.55	0.48	(3.76)	(7.13)
Diluted earnings/(loss) per share in CHF		2.55	0.48	(3.76)	(7.13)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in CHF 1 000)

	Share capital	Treasury shares	Retained earnings	Total
Balances at January 1, 2020	11 080	–	3 381 893	3 392 973
Dividend	–	–	(188 360)	(188 360)
Total comprehensive income for the period	–	–	26 489	26 489
Balances at September 30, 2020	11 080	–	3 220 022	3 231 102
Balances at January 1, 2021	11 080	(8 241)	3 884 708	3 887 547
Dividend	–	–	(199 440)	(199 440)
Trade with treasury shares (incl. change in balance)	–	2 873	1 158	4 031
Total comprehensive income for the period	–	–	141 097	141 097
Balances at September 30, 2021	11 080	(5 368)	3 827 523	3 833 235

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

CONSOLIDATED STATEMENT OF CASH FLOW

(in CHF 1 000)

	Notes	01.01.–30.09.2021	01.01.–30.09.2020
Cash flows from operating activities			
Proceeds from sales of securities	4	846 534	540 958
Purchase of securities	4	(795 084)	(427 471)
Dividend receipts		–	243
Interest receipts		–	7
Payments for services		(44 699)	(35 044)
Income taxes paid		(112)	(45)
Total cash flows from operating activities		6 639	78 648
Cash flows from financing activities			
Dividend		(199 440)	(188 360)
Proceeds from sales of treasury shares	6	9 653	–
Purchase of treasury shares	6	(5 622)	–
Borrowing of bank loans	5	185 000	95 000
Interest payments		(648)	(683)
Total cash flows from financing activities		(11 057)	(94 043)
Foreign exchange difference		(623)	(429)
Change in cash and cash equivalents		(5 041)	(15 824)
Cash and cash equivalents at the beginning of the period		6 816	30 707
Cash and cash equivalents at the end of the period		1 775	14 883

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

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. The Company and its principal activity

BB Biotech AG (the Company) is listed on the SIX Swiss Exchange, in the «Prime Standard Segment» of the German Exchange as well as in the «Star Segment» of the Italian Exchange and has its registered office in Schaffhausen, Schwertstrasse 6. Its principal activity is to invest in companies active in the biotechnology industry for the purpose of capital appreciation. The investments are held through its wholly owned subsidiaries.

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

2. Accounting policies

The condensed consolidated interim financial statements of the Company and its subsidiary companies (the Group) have been prepared in accordance with International Accounting Standards (IAS) 34 «Interim Financial Reporting,» as well as the provisions of the rules of the SIX Swiss Exchange for Investment Companies and should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2020. The preparation of the condensed consolidated interim financial statements requires management to make assumptions and estimates that have an impact on the balance sheet values and items of the statement of comprehensive income in the current financial period. In certain circumstances, the actual values may diverge from these estimates.

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the consolidated annual financial statements. No new standards, interpretations and amendments to published standards, which are applicable to the Group and valid since January 1, 2021, have been applied in these condensed consolidated interim financial statements.

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

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

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

3. Financial risk management

Currency risk

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

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

Currency	30.09.2021	31.12.2020
USD	0.93170	0.88520
ANG	0.52343	0.49730
EUR	1.07845	1.08134
GBP	1.25530	1.21000

Fair values

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

30.09.2021	Level 1	Level 2	Level 3	Total
Assets				
Securities				
– Shares	4 090 835	–	–	4 090 835
– Derivative instruments	–	–	2 268	2 268
Total assets	4 090 835	–	2 268	4 093 103
31.12.2020				
Assets				
Securities				
– Shares	3 952 504	–	–	3 952 504
– Derivative instruments	–	–	2 155	2 155
Total assets	3 952 504	–	2 155	3 954 659

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

	01.01.–30.09.2021	01.01.–30.09.2020
Opening balance	2 155	2 355
Purchases/Sales/Reclassification	–	–
Gains/(losses) included in net gain/loss from securities	113	(113)
Closing balance	2 268	2 242
Gains/(losses) on level 3 instruments included in net gain/loss from securities	113	(113)

The level 3 instrument was allocated as part of a corporate action in 2019. There were no transfers between level 1, 2 and 3 during the reporting period.

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

4. Financial assets

Securities

Securities comprise the following:

Company	Number 31.12.2020	Change	Number 30.09.2021	Market price in original currency 30.09.2021	Valuation CHF mn 30.09.2021	Valuation CHF mn 31.12.2020
Moderna	2 854 963	(1 176 614)	1 678 349	USD 384.86	601.8	264.0
Ionis Pharmaceuticals	8 220 000	892 973	9 112 973	USD 33.54	284.8	411.4
Argenx SE	921 332	34 206	955 538	USD 302.00	268.9	239.8
Neurocrine Biosciences	3 035 000	(119 600)	2 915 400	USD 95.91	260.5	257.5
Alnylam Pharmaceuticals	1 155 000	(45 000)	1 110 000	USD 188.81	195.3	132.9
Incyte	2 900 000	(3 000)	2 897 000	USD 68.78	185.6	223.3
Agios Pharmaceuticals	4 158 902	146 090	4 304 992	USD 46.15	185.1	159.5
Vertex Pharmaceuticals	900 000	150 000	1 050 000	USD 181.39	177.5	188.3
Fate Therapeutics	2 030 000	1 156 336	3 186 336	USD 59.27	176.0	163.4
Arvinas	2 176 903	–	2 176 903	USD 82.18	166.7	163.7
Macrogenics	4 815 564	2 260 000	7 075 564	USD 20.94	138.0	97.4
Biogen	537 000	(37 000)	500 000	USD 282.99	131.8	116.4
Sage Therapeutics	1 540 104	1 630 000	3 170 104	USD 44.31	130.9	117.9
Intra-Cellular Therapies	3 538 419	125 000	3 663 419	USD 37.28	127.2	99.6
Myovant Sciences	4 757 039	965 000	5 722 039	USD 22.44	119.6	116.3
Relay Therapeutics	1 409 357	2 326 605	3 735 962	USD 31.53	109.7	51.8
Crispr Therapeutics	900 884	48 700	949 584	USD 111.93	99.0	122.1
Radius Health	7 455 714	250 000	7 705 714	USD 12.41	89.1	117.9
Revolution Medicines	–	3 410 105	3 410 105	USD 27.51	87.4	–
Scholar Rock Holding	2 255 651	19 474	2 275 125	USD 33.02	70.0	96.9
Molecular Templates	6 380 331	4 411 672	10 792 003	USD 6.71	67.5	53.0
Generation Bio Co.	2 333 180	120 000	2 453 180	USD 25.07	57.3	58.6
Exelixis	2 835 000	–	2 835 000	USD 21.14	55.8	50.4
Esperion Therapeutics	3 947 964	530 000	4 477 964	USD 12.05	50.3	90.9
Beam Therapeutics	396 821	210 000	606 821	USD 87.01	49.2	28.7
Nektar Therapeutics	2 620 676	–	2 620 676	USD 17.96	43.9	39.4
Essa Pharma	–	5 015 814	5 015 814	USD 8.00	37.4	–
Kezar Life Sciences	4 533 148	–	4 533 148	USD 8.64	36.5	20.9
Mersana Therapeutics	1 885 000	2 250 000	4 135 000	USD 9.43	36.3	44.4
Black Diamond Therapeutics	1 390 000	2 050 000	3 440 000	USD 8.46	27.1	39.4
Homology Medicines	1 737 122	–	1 737 122	USD 7.87	12.7	17.4
Wave Life Sciences	2 602 858	–	2 602 858	USD 4.90	11.9	18.1
Alexion Pharmaceuticals	1 294 428	(1 294 428)	–	USD n.a	–	179.0
Halozyne Therapeutics	3 970 000	(3 970 000)	–	USD n.a	–	150.1
Voyager Therapeutics	2 680 283	(2 680 283)	–	USD n.a	–	17.0
Cidara Therapeutics	2 822 495	(2 822 495)	–	USD n.a	–	5.0
Total shares					4 090.8	3 952.5
Alder Biopharmaceuticals – Contingent Value Right	2 766 008	–	2 766 008	USD 0.88	2.3	2.2

Bristol-Myers Squibb – Contingent Value Right	800 000	(800 000)	–	USD	n.a	–	–
Total derivative instruments						2.3	2.2
Total securities						4 093.1	3 954.7

The changes in value of securities at fair value through profit or loss by investment category are as follows (in CHF 1 000):

	Listed shares	Unlisted shares	Derivative instruments	Total
Opening balance as at 01.01.2020 at fair values	3 518 985	–	4 685	3 523 670
Purchases	699 570	–	–	699 570
Sales	(1 010 092)	–	–	(1 010 092)
Net gains/(losses) from securities	744 042	–	(2 531)	741 511
<i>Realized gains</i>	364 618	–	–	364 618
<i>Realized losses</i>	(83 963)	–	–	(83 963)
<i>Unrealized gains</i>	882 536	–	–	882 536
<i>Unrealized losses</i>	(419 149)	–	(2 531)	(421 680)
Closing balance as at 31.12.2020 at fair values	3 952 504	–	2 155	3 954 659
Opening balance as at 01.01.2021 at fair values	3 952 504	–	2 155	3 954 659
Purchases	796 287	–	–	796 287
Sales	(845 013)	–	–	(845 013)
Net gains/(losses) from securities	187 057	–	113	187 170
<i>Realized gains</i>	271 885	–	–	271 885
<i>Realized losses</i>	(1 530)	–	(2 330)	(3 860)
<i>Unrealized gains</i>	649 723	–	113	649 836
<i>Unrealized losses</i>	(733 022)	–	2 330	(730 692)
Closing balance as at 30.09.2021 at fair values	4 090 835	–	2 268	4 093 103

5. Short-term borrowings from banks

At September 30, 2021, a CHF 248 mn short-term loan is outstanding with interest payable at 0.40% p.a. (December 31, 2020: CHF 63 mn at 0.40% p.a.).

6. Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (December 31, 2020: 55.4 mn) with a par value of CHF 0.20 each (December 31, 2020: CHF 0.20).

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, 2021, to September 30, 2021, the Company has purchased 63 360 treasury shares at an average price of CHF 88.73 to the amount of TCHF 5 622 and 117 572 treasury shares at an average price of CHF 82.10 to the amount of TCHF 9 653 were sold (01.01.–30.09.2020: no transactions). As at September 30, 2021, the Company holds 60 450 treasury shares (December 31, 2020: 114 662 shares). The treasury shares as at September 30, 2021, were treated as a deduction from the consolidated shareholders' equity using cost values of TCHF 5 368 (December 31, 2020: TCHF 8 240).

Share buyback 2nd line (bought for cancellation)

The Board of Directors has approved the repurchase of a maximum of 5 540 000 own registered shares with a nominal value of CHF 0.20 each. The share buy-back program will run from April 12, 2019, until April 11, 2022, at the latest. Until September 30, 2021, no shares had been repurchased under this share buy-back program. A repurchase would take place via second trading line for the purpose of a subsequent capital reduction.

7. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	01.01.–30.09.2021	01.01.–30.09.2020
Asset manager		
– Management fees (incl. VAT)	38 537	29 523
Personnel		
– Board of Directors remuneration	998	870
– Wages and salaries	192	210
– Social insurance contributions and duties	79	87
	39 806	30 690

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. The compensation of the Board of Directors consists since 2014 of a fixed compensation.

8. Segment reporting

(in CHF 1 000)

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

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

Profit/(loss) before tax	01.01.–30.09.2021	01.01.–30.09.2020
USA	265 839	(29 134)
Netherlands	22 543	83 109
Singapore	(6 250)	179
Great Britain	(15 243)	(8 578)
Switzerland	(26 513)	12 620
Curaçao	(41 621)	(31 656)
Canada	(57 601)	–
	141 154	26 540

9. Assets pledged

At September 30, 2021, securities in the amount of CHF 4 093.1 mn (December 31, 2020: CHF 3 954.7 mn) are collateral for a credit line of CHF 700 mn (December 31, 2020: CHF 700 mn). At September 30, 2021, CHF 248 mn short-term loan is outstanding (December 31, 2020: CHF 63 mn).

10. Related party transactions

Detailed information regarding the remuneration model for the Board of Directors and the investment manager are mentioned under [note 7](#), «Administrative expenses».

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

The Group had no commitments or other off-balance sheet transactions open at September 30, 2021 and December 31, 2020.

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 September 30, 2021, no proceedings existed which could have any material effect on the financial position of the Group (December 31, 2020: none).

12. Significant shareholders

The Board of Directors is not aware of any major shareholder with a holding exceeding 3% of all votes as at September 30, 2021 and December 31, 2020.

13. Subsequent events

There have been no events subsequent to September 30, 2021, which would affect the condensed consolidated interim financial statements.

REPORT ON THE REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the condensed consolidated interim financial statements (consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flow and selected explanatory notes) of BB Biotech AG for the period ended 30 September 2021. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 «Interim Financial Reporting» and article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, «Review of interim financial information performed by the independent auditor of the entity». A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 «Interim Financial Reporting» and article 14 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange.

PricewaterhouseCoopers AG

Philippe Bingert

Audit expert
Auditor in charge

Roland Holl

Audit expert

Zurich, 20 October 2021

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