

Consolidated balance sheet

| in CHF 1 000 | Notes | 30.09.2022 | 31.12.2021 |
|---|-------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | | 3 025 | 2 835 |
| Securities | 4 | 3 025 046 | 3 641 112 |
| Other assets | | 108 | 135 |
| | | 3 028 179 | 3 644 082 |
| Total assets | | 3 028 179 | 3 644 082 |
| Current liabilities | | | |
| Short-term borrowings from banks | 5 | 303 000 | 355 000 |
| Other short-term liabilities | | 3 785 | 5 431 |
| Tax liabilities | | 95 | 158 |
| | | 306 880 | 360 589 |
| Total liabilities | | 306 880 | 360 589 |
| Shareholders' equity | | | |
| Share capital | 6 | 11 080 | 11 080 |
| Treasury shares | 6 | (36 508) | (9 205) |
| Retained earnings | | 2 746 727 | 3 281 618 |
| | | 2 721 299 | 3 283 493 |
| Total liabilities and shareholders' equity | | 3 028 179 | 3 644 082 |
| Net asset value per share in CHF | | 49.60 | 59.40 |

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

The condensed consolidated interim financial statements were approved by the Board of Directors of BB Biotech AG on October 18, 2022.

Consolidated statement of comprehensive income

| in CHF 1 000 | Notes | 01.01.–30.09.2022 | 01.01.–30.09.2021 | 01.07.–30.09.2022 | 01.07.–30.09.2021 |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| Operating income | | | | | |
| Net gains from securities | 4 | – | 187 170 | 220 509 | – |
| Foreign exchange gains | | 1 258 | – | 478 | – |
| Other income | | 4 | 4 | 1 | – |
| | | 1 262 | 187 174 | 220 988 | – |
| Operating expenses | | | | | |
| Net losses from securities | 4 | (290 136) | – | – | (192 643) |
| Finance expenses | | (949) | (648) | (358) | (251) |
| Foreign exchange losses | | – | (623) | – | (149) |
| Administrative expenses | 7 | (29 269) | (39 806) | (9 369) | (13 821) |
| Other expenses | | (3 498) | (4 943) | (964) | (1 515) |
| | | (323 852) | (46 020) | (10 691) | (208 379) |
| Profit/(loss) before tax | 8 | (322 590) | 141 154 | 210 297 | (208 379) |
| Income taxes | | (58) | (57) | (19) | (19) |
| Profit/(loss) for the period | | (322 648) | 141 097 | 210 278 | (208 398) |
| Total comprehensive profit/(loss) for the period | | (322 648) | 141 097 | 210 278 | (208 398) |
| Income per share in CHF | 9 | (5.86) | 2.55 | 3.83 | (3.76) |
| Diluted income per share in CHF | 9 | (5.86) | 2.55 | 3.83 | (3.76) |

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, 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 |
| Balances at January 1, 2022 | 11 080 | (9 205) | 3 281 618 | 3 283 493 |
| Dividend | – | – | (212 242) | (212 242) |
| Trade with treasury shares (incl. change in balance) | – | (27 303) | – | (27 303) |
| Total comprehensive income for the period | – | – | (322 648) | (322 648) |
| Balances at September 30, 2022 | 11 080 | (36 508) | 2 746 727 | 2 721 299 |

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.–30.09.2022 | 01.01.–30.09.2021 |
|---|-------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Proceeds from sales of securities | 4 | 455 156 | 846 534 |
| Purchase of securities | 4 | (129 226) | (795 084) |
| Payments for services | | (34 407) | (44 699) |
| Income taxes paid | | (97) | (112) |
| Total cash flows from operating activities | | 291 426 | 6 639 |
| Cash flows from financing activities | | | |
| Dividend | | (212 242) | (199 440) |
| Proceeds from sales of treasury shares | 6 | – | 9 653 |
| Purchase of treasury shares | 6 | (27 303) | (5 622) |
| Borrowing/(repayment) of bank loans | 5 | (52 000) | 185 000 |
| Interest payments | | (949) | (648) |
| Total cash flows from financing activities | | (292 494) | (11 057) |
| Foreign exchange difference | | 1 258 | (623) |
| Change in cash and cash equivalents | | 190 | (5 041) |
| Cash and cash equivalents at the beginning of the period | | 2 835 | 6 816 |
| Cash and cash equivalents at the end of the period | | 3 025 | 1 775 |

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

Notes to the consolidated financial statements

1. The Company and its principal activity

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

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

2. Accounting policies

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, 2021. 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.

The following amended standards, valid since January 1, 2022, have been applied in these condensed consolidated interim 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 condensed consolidated interim financial statements:

- IAS 1 (amended, effective January 1, 2023) – Classification of Liabilities as Current or Non-current
- 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.

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 | 30.09.2022 | 31.12.2021 |
|----------|------------|------------|
| USD | 0.98700 | 0.91290 |
| ANG | 0.55449 | 0.51287 |
| EUR | 0.96740 | 1.03740 |
| GBP | 1.10230 | 1.23390 |

Fair Values

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

| 30.09.2022 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|------------------|----------------|----------------|------------------|
| Assets | | | | |
| Securities | | | | |
| – Shares | 3 007 773 | – | 17 273 | 3 025 046 |
| – Derivative instruments | – | – | – | – |
| Total assets | 3 007 773 | – | 17 273 | 3 025 046 |
| 31.12.2021 | | | | |
| Assets | | | | |
| Securities | | | | |
| – Shares | 3 638 890 | – | – | 3 638 890 |
| – Derivative instruments | – | – | 2 222 | 2 222 |
| Total assets | 3 638 890 | – | 2 222 | 3 641 112 |

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

| | 01.01.–30.09.2022 | 01.01.–30.09.2021 |
|--|--------------------------|--------------------------|
| 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 | 397 | 113 |
| Closing balance | 17 273 | 2 268 |
| Gains/(losses) on level 3 instruments included in net gain/loss from securities | 3 246 | 113 |

There were no transfers between level 1, 2 and 3 during the reporting period.

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 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 September 30, 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 September 30, 2022, is CHF 0.

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 31.12.2021 | Change | Number 30.09.2022 | Market price in original currency 30.09.2022 | Valuation CHF mn 30.09.2022 | Valuation CHF mn 31.12.2021 | |
|--|----------------------|-------------|----------------------|--|-----------------------------------|-----------------------------------|----------------|
| Ionis Pharmaceuticals | 10 232 973 | (1 002 973) | 9 230 000 | USD | 44.23 | 284.3 | |
| Argenx SE | 970 538 | (78 035) | 892 503 | USD | 353.05 | 310.3 | |
| Neurocrine Biosciences | 3 015 400 | (216 963) | 2 798 437 | USD | 106.21 | 234.5 | |
| Vertex Pharmaceuticals | 1 030 000 | (79 477) | 950 523 | USD | 289.54 | 206.5 | |
| Alnylam Pharmaceuticals | 1 110 000 | (190 000) | 920 000 | USD | 200.16 | 171.8 | |
| Incyte | 2 897 000 | (205 923) | 2 691 077 | USD | 66.64 | 194.1 | |
| Moderna | 1 663 349 | (161 398) | 1 501 951 | USD | 118.25 | 385.7 | |
| Intra-Cellular Therapies | 3 538 419 | (246 940) | 3 291 479 | USD | 46.53 | 169.1 | |
| Sage Therapeutics | 3 170 104 | (219 826) | 2 950 278 | USD | 39.16 | 123.1 | |
| Agios Pharmaceuticals | 4 312 292 | (281 500) | 4 030 792 | USD | 28.28 | 129.4 | |
| Myovant Sciences | 6 122 039 | (249 400) | 5 872 639 | USD | 17.96 | 87.0 | |
| Arvinas | 2 176 903 | (40 491) | 2 136 412 | USD | 44.49 | 163.2 | |
| Relay Therapeutics | 4 085 962 | 34 758 | 4 120 720 | USD | 22.37 | 114.6 | |
| Revolution Medicines | 3 421 462 | 1 181 100 | 4 602 562 | USD | 19.72 | 78.6 | |
| Fate Therapeutics | 3 701 336 | (42 800) | 3 658 536 | USD | 22.41 | 197.7 | |
| Crispr Therapeutics | 949 584 | (60 979) | 888 605 | USD | 65.35 | 65.7 | |
| Celldex Therapeutics | – | 1 800 000 | 1 800 000 | USD | 28.11 | – | |
| Exelixis | 2 835 000 | (180 500) | 2 654 500 | USD | 15.68 | 47.3 | |
| Esperion Therapeutics | 4 477 964 | (283 900) | 4 194 064 | USD | 6.70 | 20.4 | |
| Beam Therapeutics | 606 821 | (38 700) | 568 121 | USD | 47.64 | 44.1 | |
| Mersana Therapeutics | 4 135 000 | (268 800) | 3 866 200 | USD | 6.76 | 23.5 | |
| Kezar Life Sciences | 4 918 148 | (1 918 148) | 3 000 000 | USD | 8.61 | 75.1 | |
| Macrogenics | 7 275 564 | – | 7 275 564 | USD | 3.46 | 106.6 | |
| Generation Bio Co. | 3 853 180 | (244 900) | 3 608 280 | USD | 5.31 | 24.9 | |
| Wave Life Sciences | 4 602 858 | (108 400) | 4 494 458 | USD | 3.61 | 13.2 | |
| Scholar Rock Holding | 2 275 125 | (142 400) | 2 132 725 | USD | 6.93 | 51.6 | |
| Essa Pharma | 5 015 814 | 863 769 | 5 879 583 | USD | 1.82 | 65.0 | |
| Molecular Templates | 10 792 003 | 400 000 | 11 192 003 | USD | 0.75 | 38.6 | |
| Black Diamond Therapeutics | 3 440 000 | 1 254 113 | 4 694 113 | USD | 1.69 | 16.7 | |
| Homology Medicines | 1 737 122 | (114 600) | 1 622 522 | USD | 1.61 | 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 | |
| Listed shares | | | | | | 3 007.8 | 3 638.9 |
| Rivus Pharmaceuticals | | | | USD | | 17.3 | – |
| Unlisted shares | | | | | | 17.3 | – |
| Total shares | | | | | | 3 025.0 | 3 638.9 |
| Radius Health – Contingent Value Right | – | 8 733 538 | 8 733 538 | USD | 0.00 | – | – |
| Alder Biopharmaceuticals – Contingent Value Right | 2 766 008 | (2 766 008) | – | USD | n.a. | – | 2.2 |
| Total derivative instruments | | | | | | – | 2.2 |
| Total securities | | | | | | 3 025.0 | 3 641.1 |

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 01.01.2021 at fair values | 3 952 504 | – | 2 155 | 3 954 659 |
| 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) |
| Closing balance as at 31.12.2021 at fair values | 3 638 890 | – | 2 222 | 3 641 112 |
| Opening balance as at 01.01.2022 at fair values | 3 638 890 | – | 2 222 | 3 641 112 |
| Purchases | 112 351 | 16 875 | – | 129 226 |
| Sales | (450 085) | – | (5 071) | (455 156) |
| Net gains/(losses) from securities | (293 383) | 397 | 2 849 | (290 136) |
| <i>Realized gains</i> | 40 947 | – | 2 849 | 43 796 |
| <i>Realized losses</i> | (79 766) | – | – | (79 766) |
| <i>Unrealized gains</i> | 406 995 | 397 | – | 407 392 |
| <i>Unrealized losses</i> | (661 559) | – | – | (661 559) |
| Closing balance as at 30.09.2022 at fair values | 3 007 773 | 17 273 | – | 3 025 046 |

5. Short-term borrowings from banks

At September 30, 2022, a CHF 303 mn short-term loan is outstanding with interest payable at 0.87% p.a. (December 31, 2021: CHF 355 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, 2021: 55.4 mn) with a par value of CHF 0.20 each (December 31, 2021: 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, 2022, to September 30, 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.–30.09.2021: Purchase of 63 360 treasury shares to the amount of TCHF 5 622; sales of 117 572 treasury shares to the amount of TCHF 9 653). As at September 30, 2022, the Company holds 554 000 treasury shares (December 31, 2021: 107 426 shares). The treasury shares as at September 30, 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 September 30, 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.

7. Administrative expenses

Administrative expenses comprise the following:

| in CHF 1 000 | 01.01.–30.09.2022 | 01.01.–30.09.2021 |
|---|-------------------|-------------------|
| Investment manager | | |
| – Management fees (incl. VAT) | 27 806 | 38 537 |
| Personnel | | |
| – Board of Directors remuneration | 1 130 | 998 |
| – Wages and salaries | 236 | 192 |
| – Social insurance contributions and duties | 97 | 79 |
| | 29 269 | 39 806 |

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

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 in CHF 1 000 | 01.01.–30.09.2022 | 01.01.–30.09.2021 |
|--|--------------------------|--------------------------|
| Netherlands | 22 137 | 22 543 |
| Great Britain | 20 099 | (15 243) |
| Singapore | 2 904 | (6 250) |
| Switzerland | (7 510) | (26 513) |
| Curaçao | (29 796) | (41 621) |
| Canada | (57 014) | (57 601) |
| USA | (273 410) | 265 839 |
| | (322 590) | 141 154 |

9. Earnings per share

| | 01.01.–30.09.2022 | 01.01.–30.09.2021 |
|---|--------------------------|--------------------------|
| Total comprehensive profit/(loss) for the period (in CHF 1 000) | (322 648) | 141 097 |
| Weighted average number of shares in issue | 55 060 940 | 55 380 302 |
| Income per share in CHF | (5.86) | 2.55 |
| Income used to determine diluted income per share (in CHF 1 000) | (322 648) | 141 097 |
| Weighted average number of shares in issue following the dilution | 55 060 940 | 55 380 302 |
| Diluted income per share in CHF | (5.86) | 2.55 |

10. Assets pledged

At September 30, 2022, securities in the amount of CHF 3 025.0 mn (December 31, 2021: CHF 3 641.1 mn) are collateral for a credit line of CHF 700 mn (December 31, 2021: CHF 700 mn). At September 30, 2022, a CHF 303 mn short-term loan is outstanding (December 31, 2021: CHF 355 mn).

11. Transactions with the Investment Manager and 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».

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

The Group had no commitments or other off-balance sheet transactions open at September 30, 2022 and December 31, 2021.

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, 2022, no proceedings existed which could have any material effect on the financial position of the Group (December 31, 2021: none).

13. 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, 2022 and December 31, 2021.

14. Subsequent events

There have been no events subsequent to September 30, 2022, which would affect the condensed consolidated interim financial statements.

Report on the review of condensed consolidated interim financial statements

Introduction

In accordance with the terms of our engagement, 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 2022.

These condensed consolidated interim financial statements in accordance with International Accounting Standard 34 «Interim Financial Reporting» and article 14 of the Directive and Financial Reporting of the SIX Swiss Exchange are the responsibility of the Board of Directors whereas our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Swiss Auditing Standard 910 (SAS 910) «Engagements to Review Financial Statements» and the International Standard on Review Engagements (ISRE) 2410 «Review of interim financial information performed by the independent auditor of the entity». This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed consolidated interim financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not give a true and fair view of all material respects of the net assets, the financial position and results of operations in accordance with International Accounting Standard 34 Interim Financial Reporting and article 14 of the Directive on Financial Reporting of the SIX Swiss Exchange.

Deloitte AG

Marcel Meyer
Audit expert
Auditor in charge

Alexander Kosovan
Audit expert

Zurich, 19 October 2022

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