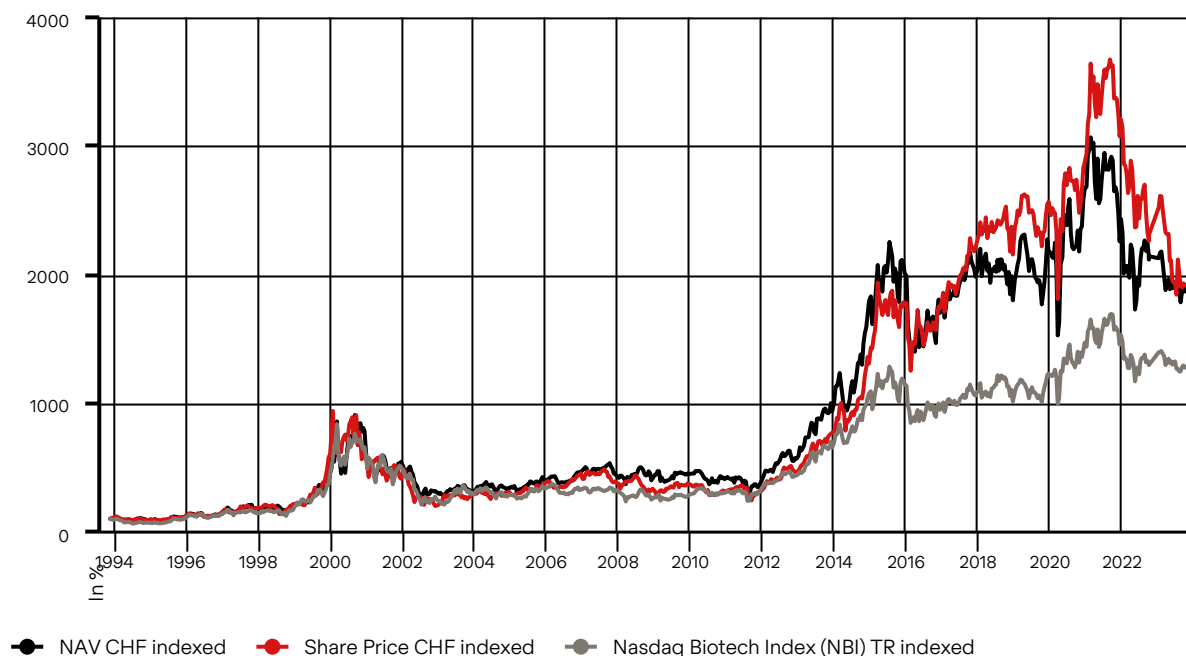


# Performance/Multi-year comparison

## Indexed performance since launch

### BB Biotech AG (SIX)-CHF



### Rolling performance

	SHARE	NAV	NBI TR
30.09.2022 – 30.09.2023	(17.1%)	(12.8%)	(1.7%)
30.09.2021 – 30.09.2022	(33.7%)	(22.7%)	(21.3%)
30.09.2020 – 30.09.2021	31.1%	24.5%	21.9%
30.09.2019 – 30.09.2020	15.9%	21.0%	26.4%
28.09.2018 – 30.09.2019	(10.6%)	(14.1%)	(16.2%)

### Annual performance

	SHARE	NAV	NBI TR
2022	(24.3%)	(11.0%)	(9.1%)
2021	8.3%	(11.5%)	3.0%
2020	19.3%	24.3%	15.8%
2019	18.5%	23.4%	23.0%
2018	(5.2%)	(14.5%)	(8.0%)

### Cumulated performance

30.09.2023

	SHARE	NAV	NBI TR
YTD	(20.8%)	(11.8%)	(6.3%)
1 year	(17.1%)	(12.8%)	(1.7%)
3 years	(28.0%)	(16.2%)	(5.7%)
5 years	(25.4%)	(12.8%)	(0.0%)
10 years	166%	96%	93%
since inception <sup>1)</sup>	1 815%	1 767%	1 175%

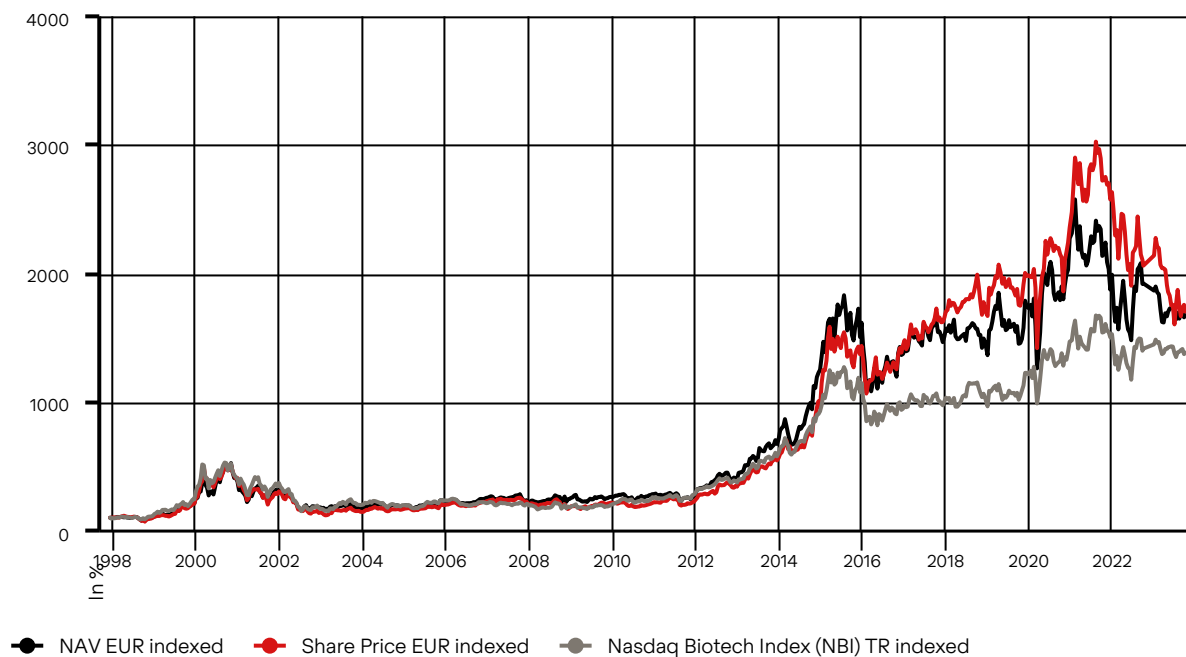
<sup>1</sup> 09.11.1993

### Annualized performance

30.09.2023

	SHARE	NAV	NBI TR
1 year	(17.1%)	(12.8%)	(1.7%)
3 years	(10.4%)	(5.7%)	(1.9%)
5 years	(5.7%)	(2.7%)	(0.0%)
10 years	10.3%	7.0%	6.8%
since inception <sup>1)</sup>	10.4%	10.3%	8.9%

<sup>1</sup> 09.11.1993

**BB BIOTECH AG (XETRA)-EUR****Rolling performance**

	SHARE	NAV	NBI TR
30.09.2022 – 30.09.2023	(17.3%)	(12.9%)	(2.1%)
30.09.2021 – 30.09.2022	(26.1%)	(13.9%)	(11.7%)
30.09.2020 – 30.09.2021	29.6%	24.5%	21.8%
30.09.2019 – 30.09.2020	17.5%	22.0%	27.3%
28.09.2018 – 30.09.2019	(5.8%)	(10.0%)	(12.6%)

**Annual performance**

	SHARE	NAV	NBI TR
2022	(19.0%)	(6.7%)	(4.5%)
2021	13.3%	(7.8%)	7.4%
2020	18.1%	24.8%	16.1%
2019	23.4%	28.1%	27.6%
2018	(2.2%)	(11.1%)	(4.3%)

**Cumulated performance**

30.09.2023

	SHARE	NAV	NBI TR
YTD	(20.8%)	(9.7%)	(4.4%)
1 year	(17.3%)	(12.9%)	(2.1%)
3 years	(20.8%)	(6.5%)	5.3%
5 years	(12.3%)	2.7%	17.2%
10 years	234%	148%	144%
since inception <sup>1)</sup>	1 604%	1 575%	1 285%

<sup>1</sup> 10.12.1997**Annualized performance**

30.09.2023

	SHARE	NAV	NBI TR
1 year	(17.3%)	(12.9%)	(2.1%)
3 years	(7.5%)	(2.2%)	1.7%
5 years	(2.6%)	0.5%	3.2%
10 years	12.8%	9.5%	9.3%
since inception <sup>1)</sup>	11.6%	11.5%	10.7%

<sup>1</sup> 10.12.1997

## Multi-year comparison

	<b>30.09.2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Market capitalization at the end of the period (in CHF mn)	2 290.8	3 058.1	4 274.1	4 107.9	3 670.3
Net Asset Value at the end of the period (in CHF mn)	2 214.1	2 686.1	3 283.5	3 887.5	3 393.0
Number of shares (in mn)	55.4	55.4	55.4	55.4	55.4
Trading volume (in CHF mn)	677.9	1 482.0	2 101.0	2 315.6	2 004.2
Profit/(loss) (in CHF mn)	(315.7)	(357.8)	(404.8)	691.2	677.4
Closing price at the end of the period in CHF	41.35	55.20	77.15	74.15	66.25
Closing price at the end of the period in EUR	42.50	56.70	74.05	68.00	61.40
Stock performance (incl. distributions) <sup>1)</sup>	(20.8%)	(24.3%)	8.3%	19.3%	18.5%
High/low share price in CHF	60.70/38.95	78.15/51.00	92.20/73.40	74.70/45.44	73.20/59.35
High/low share price in EUR	60.50/39.70	75.40/49.60	86.20/67.80	69.00/43.04	64.70/52.10
Premium/(discount) (annual average)	10.4%	20.5%	19.5%	9.2%	11.8%
Dividend in CHF	N.A.	2.85	3.85	3.60	3.40
Degree of investment (quarterly figures)	113.8%	112.8%	108.6%	106.8%	109.1%
Total Expense Ratio (TER) p.a. <sup>2)</sup>	1.31%	1.27%	1.22%	1.25%	1.26%

<sup>1)</sup> All figures in CHF %, total return-methodology

<sup>2)</sup> Based on market capitalization

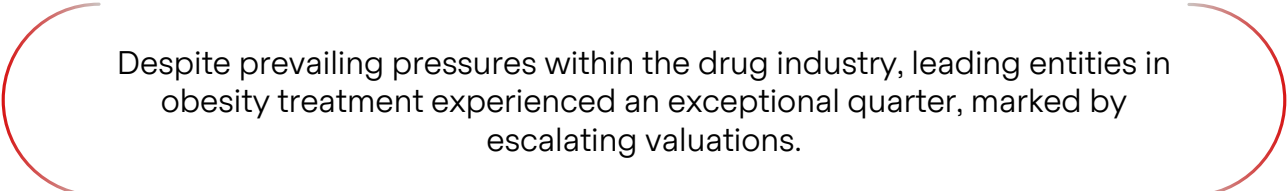
# Shareholder letter

## Dear Shareholders

Capital markets have once again found themselves recalibrating expectations in light of evolving strategies from central banks, with the US Federal Reserve in the spotlight. Anticipations of a pivot in the Fed fund rate, underscored by a prevailing consensus that the Fed would halt further interest rate hikes in the latter half of 2023 and potentially lower rates in 2024, were compelled to reverse course. This acknowledgment manifested in elevated yields for US bonds and, consequently, exerted downward pressure on equity markets throughout the third quarter. Additionally, these shifts precipitated notable currency fluctuations, especially a fortification of the US dollar against major currencies such as the Swiss Franc and the Euro, bearing particular relevance for BB Biotech.

In the third quarter, broad equity indices saw declines, with the Nasdaq Composite Index down 3.9% and the S&P 500 Index down 3.3%, both in total returns and in USD. European indices followed a similar trend, with the Euro Stoxx 50 Index down 4.8% in EUR and the SPI Index down 3.3% in CHF during the same period. However, on a year-to-date basis, the S&P 500 and Euro Stoxx 50 managed to maintain double-digit gains, both up by more than 13% in local currencies, while the Nasdaq Composite Index remained up by 27.1% in USD. In contrast, the SPI Index underperformed, showing a modest gain of 4.6% in CHF.

Investors navigating the healthcare industry have been tasked not only with adapting to central bank actions and evolving forward expectations but also with meticulously tracking policies and political shifts pertinent to healthcare. A case in point is the Federal Trade Commission (FTC), which has modified its posture on substantial takeovers within the drug industry, transitioning from a stringent stance to a more accommodating approach. Despite witnessing some positive developments, the MSCI World Health Care Index echoed the performance of broader equity indices, receding by 2.7% in USD during the third quarter. The underperformance, observed in the initial six months, lingered, with the MSCI World Health Care Index registering a total return of -1.6% in USD for the first nine months of 2023.



Despite prevailing pressures within the drug industry, leading entities in obesity treatment experienced an exceptional quarter, marked by escalating valuations.

Despite prevailing pressures within the drug industry, leading entities in obesity treatment experienced an exceptional quarter, marked by escalating valuations. The Inflation Reduction Act related drug discounting initiative has emerged as a focus within the industry, underscored by the formal selection and publication of its inaugural ten drugs – nine of which are held by major pharmaceutical entities, and one by the biotechnology company Amgen. Investors have largely discounted potential implications but are maintaining a sustained interest in numerous lawsuits initiated by pharmaceutical and commercial representation groups against the Department of Health and Human Services (HHS). We remain vigilantly attuned to the actions of HHS and these lawsuits, poised to integrate potential consequences into our assumptions and future estimates. The MSCI Pharma Index receded by 1% in USD, while the Nasdaq Biotechnology Index (NBI) was down by 2.8% in the third quarter. Both indices have underperformed on a year-to-date basis, with the NBI Index declining by 5.6% in USD across the first nine months of 2023.

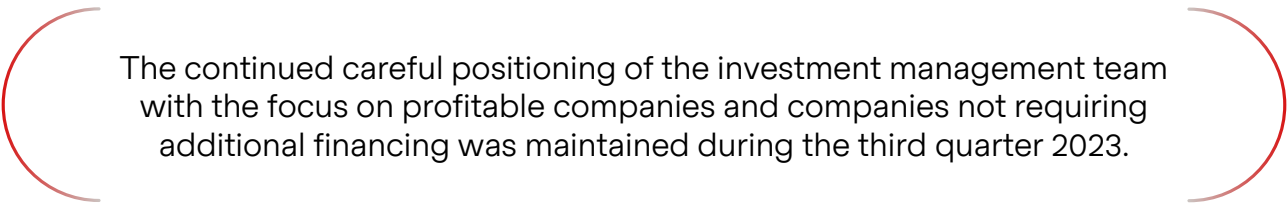
During the third quarter, the US mid- and longer-term yields have gone higher, with BB Biotech benefiting on one hand by the tailwind for the US dollar against other international currencies but on the other hand experiencing continued pressure on equity markets, with the most difficult situations for companies that are not yet profitable. For the third quarter 2023, the NAV return was -2.2% in CHF, -1.2% in EUR and -4.2% in USD. For the first nine months of 2023, the portfolio has devalued by 11.8% in CHF, 9.7% in EUR and 10.8% in USD. This corresponds to a net loss of CHF 48 mn for the third quarter and CHF 316 mn for the first nine months of 2023, comparing to a profit of CHF 210 mn and a loss of CHF 323 mn for the same time periods in 2022.

BB Biotech traded within a tight range during the third quarter and closed slightly higher at CHF 41.35 per share per end of September 2023. The return of the share price was 5.9% in CHF, and 6.3% for the EUR listing. YTD, the total return, including the dividend pay-out of CHF 2.85 per share on March 29, 2023, is -20.8% in CHF and in EUR.

In the third quarter, BB Biotech has delisted from the Italian stock exchange with the last trading day per September 4, 2023. Shareholders continue to have the option to trade BB Biotech in Swiss Franc on the Swiss Stock Exchange and in EUR due to our listing on the German Stock Exchange («Deutsche Börse»).

### Portfolio management activity in the third quarter

The continued careful positioning of the investment management team with the focus on profitable companies and companies not requiring additional financing was maintained during the third quarter 2023. No new position was initiated, and some profit taking in the top holdings such as Incyte, Vertex and Ionis allowed to participate in smaller additions in pipeline companies. BB Biotech participated in the USD 40 mn private placement of Molecular Templates offering in mid-July, allowing the company to fund its pipeline into 2024. In the portfolio companies Relay, Celldex, MacroGenics and Sage, additional shares were acquired in the open market in the third quarter.



The continued careful positioning of the investment management team with the focus on profitable companies and companies not requiring additional financing was maintained during the third quarter 2023.

The sum of the active adjustments within the portfolio and the relative performance differences in the 28 portfolio companies result in a roughly 80/20 weighted portfolio construction, with 80% either profitable or financed to reach profitability and the remaining 20% being the earlier and mid-stage pipeline companies requiring additional financing in the coming years. The 80% part is mostly invested in the mid-cap segment, offering a highly attractive risk/return profile.

Given the continued difference between the investment management team's valuation of the portfolio holdings versus market prices, the investment degree remains at 113.8%, thus close to the upper limit of 115%.

In an effort to continually enhance our investment management team, which encompasses portfolio management, data science, and investor relations, we expanded our expertise last year with the addition of a specialist in neuroscience and two data scientists. Further, we are pleased to announce that Dr. Christian Koch and Dr. Maurizio Bernasconi have been promoted to the roles of Deputy Heads of Investment Management.

## Portfolio milestones in the third quarter

Important milestones read out during the third quarter: Argenx, up 26% in USD in Q3 2023, strengthened its mid- and long-term revenue and profit outlook with the successful read out of its registrational trial for subcutaneous efgartigimod to treat chronic inflammatory demyelinating polyneuropathy (CIDP) patients. The company, on the back of this positive update yet again strengthened its balance sheet to above USD 3 bn by raising gross proceeds of USD 1.1 bn. This allows Argenx to both invest in its broad efgartigimod pipeline as well as globally commercialize Vyvgart aggressively.

Neurocrine, up 19% in USD in Q3 2023, announced positive top-line Phase III data for Crinecerfont for adult congenital adrenal hyperplasia (CAH) patients. Most importantly, the study proved that the daily glucocorticoid doses were decreased and patients maintained androgen control. We continue to expect the second Phase III study, testing Crinecerfont in pediatric CAH patients, to be rolled out in the fourth quarter of 2023. We expect Crinecerfont to be approved in late 2024 and to represent another important revenue and profit opportunity for Neurocrine next to the already successful Ingrezza franchise.

Ionis, up 11% in USD in Q3 2023, reported a positive outcome for Olezarsen in people with familial chylomicronaemia syndrome (FCS), achieving solid knock-down levels of ApoC3 and lowering in triglyceride levels. FCS is a rare orphan indication, with Ionis planning to commercialize Olezarsen globally on its own. Besides the important safety update for Olezarsen in FCS patients, this read-out serves as a valid proxy for data expected in 2024 in the significantly larger patient population with severe hypertriglyceridemia (SHTG).

Exelixis, up 14% in USD in Q3 2023, announced positive results from its pivotal trial evaluating Cabozantinib in advanced pancreatic and extra-pancreatic neuroendocrine (NET) tumors. Exelixis and its ex-US partners Ipsen and Takeda continue to expand the Cabozantinib use, being already established as backbone cancer therapy for patients with renal cell carcinoma (RCC) and hepatocellular carcinoma (HCC).

Although not reflected in its share price performance of -7% in USD in Q3 2023, Alnylam reported impressive proof of concept data for Zilebesiran as monotherapy for treating resistant hypertension patients. More than 15 mmHg reduction in systolic blood pressure was seen following the higher doses. The company is testing Zilebesiran as once every three or every six months injectable therapy on top of existing hypertensive medications, with data expected in 2024. Zilebesiran was recently partnered with Roche to co-develop and co-commercialize the investigational RNAi therapeutics.

Mersana, down 61% in USD in Q3 2023, announced that the registrational trial for its lead antibody drug conjugate upifitamab rilsodotin (UpRi) to treat patients with platinum resistant ovarian cancer failed to reach its primary endpoint. Subsequently, the company halted all other clinical development plans for UpRi and announced a reprioritization of its pipeline, focusing on its dolasynthen and immunosynthen programs.

## Regulatory milestones with significant implications have been announced during the third quarter

Sage Therapeutics reported surprising FDA decisions in early August 2023. The US regulatory authority approved Zuranolone as the first and only oral treatment approved for women with post-partum depression, and at the same time issued a complete response letter (CRL) for the larger market opportunity of major depressive disorder. The CRL stated that the application did not provide substantial evidence of effectiveness to support the application for approval and that an additional study or studies will be needed. The company continues to review the feedback and is evaluating the next steps. Consequently, Sage lost more than half of its valuation in the third quarter. The company, together with its development and commercialization partner Biogen, plans to launch Zuruvae in late 2023

following scheduling as a controlled substance by the US Drug Enforcement Administration (DEA), anticipated to occur within 90 days following approval.

Alnylam announced a positive outcome of the US FDA's Cardiovascular and Renal Drug Advisory Committee (CRDAC) in mid-September. The panel members voted 9:3 that the benefits of Patisiran treatment outweigh the risks for patients with cardiomyopathy of TTR amyloidosis. Patisiran is already approved under the brand name Onpattro for the treatment of polyneuropathy caused by hereditary TTR amyloidosis. Most importantly, the company is developing Vutrisiran, a follow-on product to Patisiran, for the treatment of patients with cardiomyopathy of TTR amyloidosis, with outcomes data from a large Phase III program expected to be read out in 2024.

BB Biotech did not participate in any take-over activities in the third quarter 2023 and the first nine months of 2023. The licensing activity continues at a good pace, with Roche announcing two deals with our RNA-based medicine portfolio companies Alnylam and Ionis. Roche licensed the clinical mid-stage development candidate Zilebesiran from Alnylam as well as two preclinical candidates from Ionis for the treatment of Alzheimer's disease and Huntington's disease.

The licensing activity continues at a good pace, with Roche announcing two deals with our RNA based medicine portfolio companies Alnylam and Ionis.

### Outlook for the fourth quarter and 2024

Macro environment expectations are currently on a tightrope, moving between the possibility for a soft or a hard landing. Central bank actions and comments will be scrutinized heavily, with further clarity regarding peak rates and time to a potential pivot expected to impact bond and equity markets, as well as currency pricing.

Biotech fund flows were negative in the first nine months of 2023. More recently, we observed the opening of the secondary market for public listed companies that strengthened their balance sheet situation following positive milestone announcements.

Fundamental progress continues to be impressive, widening the valuation gap even further according to the management team's analysis. Progress in the portfolio will be key, with a steady flow of important clinical and regulatory milestones in the fourth quarter:

- Neurocrine is expected to report the second Phase III trial, testing Crinecerfont in pediatric CAH
- Vertex will report on VX-548, an oral selective NaV1.8 inhibitor, Phase III clinical trials for patients with acute and neuropathic pain
- Incyte is expected to report proof of concept data for the combinations of Zilurgisertib (ALK 2 inhibitor) and INCB57643 (BET inhibitor) in combination with Jakafi in myelofibrosis patients
- Celldex will report Phase II data for barzolvolimab in chronic spontaneous urticaria (CSU) patients
- Revolution Medicines will present proof of concept data for RMC-6236, a RASmulti inhibitor, with details for the molecules' safety and tolerability and clinical activity



Aside from important pipeline updates, the following product approvals are expected until year-end:

- Alnylam with a PDUFA date for Patisiran in TTR cardiomyopathy in October 2023
- Crispr Therapeutics and Vertex have announced the PDUFA date for exa-cel on December 8, 2023, for the treatment of sickle cell disease patients
- Ionis and partner Astra Zeneca expect a regulatory decision for Eplontersen by December 22, 2023, for the treatment of patients with TTR polyneuropathy

Ultimately, our investment cases depend on the speed and level of adoption by patients. Continued uptake in already more established products such as Ingrezza by Neurocrine, Caplyta by Intra-Cellular, Opzelura by Incyte and Vyvgart by Argenx, if successful, will drive investment returns.

In the face of persistent macroeconomic challenges, accurately anticipating share price reactions to milestone events and product successes in the current capital market environment has become increasingly challenging. We hold a firm belief that such fundamental progress not only bolsters the intrinsic values but also enhances the quality of our investment cases. We remain unwavering in our conviction that this progress will yield attractive investment returns, whether through equity market repricing of these robust and compelling companies in the mid to long term, or by sparking potential takeover interest in the shorter term. Given the implications of the Inflation Reduction Act for the drug industry, attention is directed not only towards the negotiation outcomes for the first ten selected drugs but also towards monitoring updates and discerning potential implications arising from multiple lawsuits against the Department of Health and Human Services (HHS).

Beyond the anticipated returns on invested capital, innovative biotechnology products and technologies persist in providing valuable treatment alternatives and, in select cases, even cures for patients. This underscores a significant societal contribution by our industry and our portfolio companies.

We thank you for your continued trust.

The Board of Directors of BB Biotech AG

**Dr. Erich Hunziker**

Chairman

**Laura Hamill**

Member

**Prof. Dr. Mads Krogsgaard Thomsen**

Member

**Dr. Clive Meanwell**

Vice Chairman

**Dr. Pearl Huang**

Member

**Dr. Thomas von Planta**

Member

# Portfolio at a glance

Securities as at September 30, 2023

Company	Number of securities	Change since 31.12.2022	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Argenx SE	859 775	(32 728)	USD	491.63	386.9	15.4%	17.5%	1.5%
Ionis Pharmaceuticals	9 100 000	(535 000)	USD	45.36	377.8	15.0%	17.1%	6.3%
Neurocrine Biosciences	2 554 350	(175 650)	USD	112.50	263.0	10.4%	11.9%	2.6%
Vertex Pharmaceuticals	812 850	(117 673)	USD	347.74	258.7	10.3%	11.7%	0.3%
Intra-Cellular Therapies	3 130 950	(160 529)	USD	52.09	149.3	5.9%	6.7%	3.3%
Alnylam Pharmaceuticals	869 700	(20 300)	USD	177.10	141.0	5.6%	6.4%	0.7%
Moderna	1 466 075	(35 876)	USD	103.29	138.6	5.5%	6.3%	0.4%
Incyte	2 485 050	(406 027)	USD	57.77	131.4	5.2%	5.9%	1.1%
Revolution Medicines	4 646 700	(130 862)	USD	27.68	117.7	4.7%	5.3%	4.2%
Agios Pharmaceuticals	4 000 000	(30 792)	USD	24.75	90.6	3.6%	4.1%	7.2%
Sage Therapeutics	3 505 000	554 722	USD	20.58	66.0	2.6%	3.0%	5.9%
Celldex Therapeutics	1 900 000	100 000	USD	27.52	47.9	1.9%	2.2%	4.0%
Exelixis	2 369 725	(284 775)	USD	21.85	47.4	1.9%	2.1%	0.7%
Macrogenics	9 779 963	850 000	USD	4.66	41.7	1.7%	1.9%	15.8%
Arvinas	2 120 000	(16 412)	USD	19.64	38.1	1.5%	1.7%	4.0%
Relay Therapeutics	4 875 000	754 280	USD	8.41	37.5	1.5%	1.7%	4.0%
Crispr Therapeutics	880 000	(8 605)	USD	45.39	36.6	1.5%	1.7%	1.1%
Wave Life Sciences	4 494 458	–	USD	5.75	23.7	0.9%	1.1%	4.5%
Essa Pharma	7 879 583	–	USD	3.09	22.3	0.9%	1.0%	17.9%
Black Diamond Therapeutics	8 117 839	2 740 000	USD	2.87	21.3	0.8%	1.0%	15.7%
Rivus Pharmaceuticals <sup>1)</sup>			USD		16.0	0.6%	0.7%	
Beam Therapeutics	693 121	–	USD	24.05	15.3	0.6%	0.7%	0.9%
Scholar Rock Holding	2 132 725	–	USD	7.10	13.9	0.6%	0.6%	3.8%
Generation Bio Co.	3 608 280	–	USD	3.79	12.5	0.5%	0.6%	5.5%
Fate Therapeutics	4 839 779	–	USD	2.12	9.4	0.4%	0.4%	4.9%
Mersana Therapeutics	5 205 925	1 139 725	USD	1.27	6.1	0.2%	0.3%	4.3%
Molecular Templates <sup>2)</sup>	1 029 820	283 686	USD	6.32	6.0	0.2%	0.3%	19.2%
Esperion Therapeutics	4 194 064	–	USD	0.98	3.8	0.2%	0.2%	3.9%
Radius Health – Contingent Value Right	8 733 538	–	USD	0.00	0.0	0.0%	0.0%	
<b>Total securities</b>					<b>2 520.3</b>	<b>100.0%</b>	<b>113.8%</b>	
Other assets					0.4		0.0%	
Other payables					(306.6)		(13.8%)	
<b>Net Asset Value</b>					<b>2 214.1</b>		<b>100.0%</b>	

<sup>1)</sup> Unlisted company

<sup>2)</sup> Share split 1:15 as at August 14, 2023

Exchange rate as at 30.09.2023: USD/CHF: 0.9153