

Consolidated balance sheet

in CHF 1 000	Notes	30.09.2023	31.12.2022
Current assets			
Cash and cash equivalents		322	1 948
Securities	3	2 520 315	3 051 349
Other assets		104	92
		2 520 741	3 053 389
Total assets		2 520 741	3 053 389
Current liabilities			
Short-term borrowings from banks	4	302 100	363 000
Payables to brokers		1 494	–
Other short-term liabilities		2 969	4 143
Tax liabilities		77	111
		306 640	367 254
Total liabilities		306 640	367 254
Shareholders' equity			
Share capital	5	11 080	11 080
Treasury shares	5	(36 508)	(36 508)
Retained earnings		2 239 529	2 711 563
		2 214 101	2 686 135
Total liabilities and shareholders' equity		2 520 741	3 053 389
Net asset value per share in CHF		40.35	49.00

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 17, 2023.

Consolidated statement of comprehensive income

in CHF 1 000	Notes	01.01.–30.09.2023	01.01.–30.09.2022	01.07.–30.09.2023	01.07.–30.09.2022
Operating income					
Net gains from securities	3	–	–	–	220 509
Interest income		17	–	–	–
Foreign exchange gains		600	1 258	100	478
Other income		5	4	–	1
		622	1 262	100	220 988
Operating expenses					
Net losses from securities	3	(285 455)	(290 136)	(39 135)	–
Finance expenses		(4 219)	(949)	(1 669)	(358)
Administrative expenses	6	(23 276)	(29 269)	(6 981)	(9 369)
Other expenses		(3 350)	(3 498)	(690)	(964)
		(316 300)	(323 852)	(48 475)	(10 691)
Profit/(loss) before tax	7	(315 678)	(322 590)	(48 375)	210 297
Income taxes		(45)	(58)	(15)	(19)
Profit/(loss) for the period		(315 723)	(322 648)	(48 390)	210 278
Total comprehensive profit/(loss) for the period		(315 723)	(322 648)	(48 390)	210 278
Income per share in CHF	8	(5.76)	(5.86)	(0.89)	3.83
Diluted income per share in CHF	8	(5.76)	(5.86)	(0.89)	3.83

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, 2022	11 080	(9 205)	3 281 618	3 283 493
Dividend (CHF 3.85 per share)	–	–	(212 242)	(212 242)
Trade with treasury shares	–	(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
Balances at January 1, 2023	11 080	(36 508)	2 711 563	2 686 135
Dividend (CHF 2.85 per share)	–	–	(156 311)	(156 311)
Total comprehensive income for the period	–	–	(315 723)	(315 723)
Balances at September 30, 2023	11 080	(36 508)	2 239 529	2 214 101

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.–30.09.2023	01.01.–30.09.2022
Cash flows from operating activities			
Proceeds from sales of securities	3	303 675	455 156
Purchase of securities	3	(56 602)	(129 226)
Interest receipts		17	–
Payments for services		(27 810)	(34 407)
Income taxes paid		(76)	(97)
Total cash flows from operating activities		219 204	291 426
Cash flows from financing activities			
Dividend		(156 311)	(212 242)
Purchase of treasury shares	5	–	(27 303)
Repayment of borrowings	4	(60 900)	(52 000)
Interest payments		(4 219)	(949)
Total cash flows from financing activities		(221 430)	(292 494)
Foreign exchange difference		600	1 258
Change in cash and cash equivalents		(1 626)	190
Cash and cash equivalents at the beginning of the period		1 948	2 835
Cash and cash equivalents at the end of the period		322	3 025

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 as well as in the «Prime Standard Segment» of the German 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, 2022. 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, 2023, have been applied in these condensed consolidated interim financial statements:

- IAS 1 (amended, effective January 1, 2023) – Disclosure of Accounting Policies
- IAS 8 (amended, effective January 1, 2023) – Definition of Accounting Estimates
- IAS 12 (amended, effective January 1, 2023) – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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:

- IFRS 16 (amended, effective January 1, 2024) – Lease Liability in a Sale and Leaseback
- IAS 1 (amended, effective January 1, 2024) – Classification of Liabilities as Current or Non-current

The Board of Directors do not expect that the adoption of the above-mentioned standards will have a material impact on the financial statements of the Group in future periods.

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

Currency	30.09.2023	31.12.2022
USD	0.91530	0.92450
ANG	0.51421	0.51938
EUR	0.96763	0.98956
GBP	1.11670	1.11870

3. Financial assets

Fair Values

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

30.09.2023	Level 1	Level 2	Level 3	Total
Assets				
Securities				
– Shares	2 504 297	–	16 018	2 520 315
– Derivative instruments	–	–	–	–
Total assets	2 504 297	–	16 018	2 520 315
31.12.2022				
Assets				
Securities				
– Shares	3 035 170	–	16 179	3 051 349
– Derivative instruments	–	–	–	–
Total assets	3 035 170	–	16 179	3 051 349

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

	01.01.–30.09.2023	01.01.–30.09.2022
Opening balance	16 179	2 222
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	(161)	397
Closing balance	16 018	17 273
Gains/(losses) on level 3 instruments included in net gain/loss from securities	(161)	3 246

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 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 September 30, 2023, 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 Radius Health – Contingent Value Rights were allocated from a corporate action. The valuation as of September 30, 2023, is CHF 0.

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

Securities

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 01.01.2022 at fair values	3 638 890	–	2 222	3 641 112
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)
Closing balance as at 31.12.2022 at fair values	3 035 170	16 179	–	3 051 349
Opening balance as at 01.01.2023 at fair values	3 035 170	16 179	–	3 051 349
Purchases	58 096	–	–	58 096
Sales	(303 675)	–	–	(303 675)
Net gains/(losses) from securities	(285 294)	(161)	–	(285 455)
<i>Realized gains</i>	7 786	–	–	7 786
<i>Realized losses</i>	(18 095)	–	–	(18 095)
<i>Unrealized gains</i>	223 443	–	–	223 443
<i>Unrealized losses</i>	(498 428)	(161)	–	(498 589)
Closing balance as at 30.09.2023 at fair values	2 504 297	16 018	–	2 520 315

Securities comprise the following:

Company	Number 31.12.2022	Change	Number 30.09.2023	Market price in original currency 30.09.2023	Valuation CHF mn 30.09.2023	Valuation CHF mn 31.12.2022
Argenx SE	892 503	(32 728)	859 775	USD 491.63	386.9	312.6
Ionis Pharmaceuticals	9 635 000	(535 000)	9 100 000	USD 45.36	377.8	336.4
Neurocrine Biosciences	2 730 000	(175 650)	2 554 350	USD 112.50	263.0	301.5
Vertex Pharmaceuticals	930 523	(117 673)	812 850	USD 347.74	258.7	248.4
Intra-Cellular Therapies	3 291 479	(160 529)	3 130 950	USD 52.09	149.3	161.0
Alnylam Pharmaceuticals	890 000	(20 300)	869 700	USD 177.10	141.0	195.5
Moderna	1 501 951	(35 876)	1 466 075	USD 103.29	138.6	249.4
Incyte	2 891 077	(406 027)	2 485 050	USD 57.77	131.4	214.7
Revolution Medicines	4 777 562	(130 862)	4 646 700	USD 27.68	117.7	105.2
Agios Pharmaceuticals	4 030 792	(30 792)	4 000 000	USD 24.75	90.6	104.6
Sage Therapeutics	2 950 278	554 722	3 505 000	USD 20.58	66.0	104.0
Celldex Therapeutics	1 800 000	100 000	1 900 000	USD 27.52	47.9	74.2
Exelixis	2 654 500	(284 775)	2 369 725	USD 21.85	47.4	39.4
Macrogenics	8 929 963	850 000	9 779 963	USD 4.66	41.7	55.4
Arvinas	2 136 412	(16 412)	2 120 000	USD 19.64	38.1	67.6
Relay Therapeutics	4 120 720	754 280	4 875 000	USD 8.41	37.5	56.9
Crispr Therapeutics	888 605	(8 605)	880 000	USD 45.39	36.6	33.4
Wave Life Sciences	4 494 458	–	4 494 458	USD 5.75	23.7	29.1
Essa Pharma	7 879 583	–	7 879 583	USD 3.09	22.3	18.4
Black Diamond Therapeutics	5 377 839	2 740 000	8 117 839	USD 2.87	21.3	8.9
Beam Therapeutics	693 121	–	693 121	USD 24.05	15.3	25.1
Scholar Rock Holding	2 132 725	–	2 132 725	USD 7.10	13.9	17.8
Generation Bio Co.	3 608 280	–	3 608 280	USD 3.79	12.5	13.1
Fate Therapeutics	4 839 779	–	4 839 779	USD 2.12	9.4	45.1
Mersana Therapeutics	4 066 200	1 139 725	5 205 925	USD 1.27	6.1	22.0
Molecular Templates ¹⁾	11 192 003	283 686	1 029 820	USD 6.32	6.0	3.4
Esperion Therapeutics	4 194 064	–	4 194 064	USD 0.98	3.8	24.2
Myovant Sciences	5 872 639	(5 872 639)	–	USD n.a.	–	146.4
Kezar Life Sciences	3 000 000	(3 000 000)	–	USD n.a.	–	19.5
Homology Medicines	1 622 522	(1 622 522)	–	USD n.a.	–	1.9
Listed shares					2 504.3	3 035.2
Rivus Pharmaceuticals				USD	16.0	16.2
Unlisted shares					16.0	16.2
Total shares					2 520.3	3 051.3
Radius Health – Contingent Value Right	8 733 538	–	8 733 538	USD 0.00	–	–
Total derivative instruments					–	–
Total securities					2 520.3	3 051.3

¹⁾ Share split 1:15 as at August 14, 2023

4. Short-term borrowings from banks

At September 30, 2023, a CHF 302.1 mn short-term loan is outstanding with interest payable at 2.15% p.a. (December 31, 2022: CHF 363 mn at 1.36% p.a.).

5. Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (December 31, 2022: 55.4 mn) with a par value of CHF 0.20 each (December 31, 2022: 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, 2023, to September 30, 2023, the Company has not bought or sold any treasury shares (01.01.–30.09.2022: Purchase of 446 574 treasury shares to the amount of TCHF 27 303; no sales). As at September 30, 2023, the Company holds 554 000 treasury shares (December 31, 2022: 554 000 shares). The treasury shares as at September 30, 2023, were treated as a deduction from the consolidated shareholders' equity using cost values of TCHF 36 508 (December 31, 2022: TCHF 36 508).

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, 2023, 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.

6. Administrative expenses

Administrative expenses comprise the following:

in CHF 1 000	01.01.–30.09.2023	01.01.–30.09.2022
Investment manager		
– Management fees	21 685	27 806
Personnel		
– Board of Directors remuneration	1 260	1 130
– Wages and salaries	237	236
– Social insurance contributions and duties	95	97
	23 276	29 269

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.

7. 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.–30.09.2023	01.01.–30.09.2022
Netherlands	85 895	22 137
Canada	3 928	(57 014)
Great Britain	1 818	20 099
Switzerland	(32)	(7 510)
Singapore	(5 432)	2 904
Curaçao	(26 686)	(29 796)
USA	(375 169)	(273 410)
	(315 678)	(322 590)

8. Earnings per share

	01.01.–30.09.2023	01.01.–30.09.2022
Total comprehensive profit/(loss) for the period (in CHF 1 000)	(315 723)	(322 648)
Weighted average number of shares in issue	54 846 000	55 060 940
Income per share in CHF	(5.76)	(5.86)
Income used to determine diluted income per share (in CHF 1 000)	(315 723)	(322 648)
Weighted average number of shares in issue following the dilution	54 846 000	55 060 940
Diluted income per share in CHF	(5.76)	(5.86)

9. Assets pledged

At September 30, 2023, securities in the amount of CHF 2 520.3 mn (December 31, 2022: CHF 3 051.3 mn) are collateral for a credit line of CHF 700 mn (December 31, 2022: CHF 700 mn). At September 30, 2023, a CHF 302.1 mn short-term loan is outstanding (December 31, 2022: CHF 363 mn).

10. 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 «6. 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, 2023 and December 31, 2022.

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, 2023, no proceedings existed which could have any material effect on the financial position of the Group (December 31, 2022: 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, 2023 and December 31, 2022.

13. Subsequent events

There have been no events subsequent to September 30, 2023, 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 2023.

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 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, 18 October 2023

Deloitte AG, Pfingstweidstrasse 11, CH-8005 Zurich
Phone: +41 (0)58 279 60 00, Fax: +41 (0)58 279 66 00, www.deloitte.ch