

Media release as of January 18, 2019

Portfolio of BB Biotech AG as of December 31, 2018

BB Biotech invests gains of M&A transactions in new technologies – dividend of CHF 3.05 proposed

BB Biotech performed well last year in a challenging stock market environment. Although its total return was a negative -5.2% in CHF (-2.2% in EUR), this was much better than the portfolio performance of -14.5% in CHF and -11.1% in EUR, which reflects the high level of confidence shareholders have in BB Biotech. During the course of the year BB Biotech realized significant gains on the disposal of three portfolio positions but those gains were unable to completely offset the negative returns from existing major portfolio shareholdings and the generally weak stock market performance. Severe market corrections in December more than erased the gains that BB Biotech had been making over the preceding eleven months. Its shares ended the fourth quarter down -18.8% in CHF and -17.2% in EUR, while its portfolio shed -18.2% of its value in CHF and -17.3% in EUR. BB Biotech incurred a net loss of CHF 643 mn for the fourth quarter and CHF 471 mn for the year as a whole. Management will continue the process of realigning the portfolio to capture future growth trends in the biotech sector. In spite of the unfavorable conditions on financial markets, the biotech sector is making tremendous strides and improving its fundamentals. The recent market correction has created attractive entry points and three new companies have already been added to BB Biotech's portfolio. In keeping with its stated dividend policy over the past several years, the Board of Directors' dividend proposal at the upcoming Annual General Meeting of shareholders on March 21, 2019 – an ordinary dividend of CHF 3.05 per share – corresponds to a 5% return on the volume-weighted average closing price of BB Biotech shares in December of 2018.

All major global equity indices declined in 2018, due to fears of a global economic slowdown associated with US-China trade disputes and concern about tightening US fiscal policy. The European Union endured Brexit woes and government budget concerns practically all year long. The Dow Jones (-3.5% in USD), Nasdaq Composite (-2.8% in USD), DAX (-18.3% in EUR), and SPI (-8.6% in CHF) indices all fell, while the Nasdaq Biotech Index (NBI) lost around -8.9% in USD in 2018. Most of these losses came from a very weak fourth quarter, when most of these benchmarks fell double-digit percentages.

Notwithstanding the general market landscape and the very pessimistic mood as the year came to an end, management observed many positive developments in the year gone by. Fundamental progress was made on the drug development front and across the biotechnology industry during 2018. The FDA approved 18 new drugs in the fourth quarter 2018, bringing the total number of approvals for the year to a record 59. The capital many companies sought to raise, either through IPOs or rights issues, exceeded the inflow of funds into investment vehicles focused on the biotechnology industry. Consequently, many of the capital-raising transactions in 2018 were conducted under unfavorable conditions. Nevertheless, most of the proposed transactions were successfully completed because the fundamental progress of new technologies and the underlying market needs remain exciting and valuable. The correction in the valuations of almost all biotechnology companies may bring new opportunities for value growth and dispositions in 2019.

Strong shareholder support underpins BB Biotech's relative stability in FY 2018

For 2018, BB Biotech's total return of -5.2% in CHF and -2.2% in EUR was less than the underlying portfolio due to continued strong shareholder support. Weakening of the EUR over the USD created a tailwind for Euro-denominated performance. The portfolio Net Asset Value (NAV) declined -14.5% in CHF, -11.1% in EUR and -15.0% in USD.

For the fourth quarter, BB Biotech's share price declined -18.8% in CHF and -17.2% in EUR. Since the inclusion into the SPI and SMIM Index on September 24, 2018, additional demand for BB Biotech shares has amplified short-term volatility, which added to the effects of weak market conditions. BB Biotech's portfolio NAV for the same period traced the overall market decline at -18.2% in CHF, -17.3% in EUR and -18.2% in USD. The portfolio performance was favorable relative to the overall broad NBI benchmark in this most difficult fourth quarter.

Consolidated, but not yet audited fourth quarter 2018 data indicate a net loss of CHF 643 mn versus last year's loss of CHF 156 mn. Consolidated, but not yet audited full year 2018 data showed a net loss of CHF 471 mn compared to a net gain of CHF 688 mn for the full year of 2017.

A proposed dividend of CHF 3.05 per share

The Board of Directors will propose a regular dividend of CHF 3.05 per share at the general assembly on March 21, 2019. This is computed as a 5% dividend yield applied to the average share price of December 2018 – consistent with the dividend policy introduced in 2013.

Portfolio adjustments in the fourth quarter 2018

In the fourth quarter, BB Biotech exited three positions. First, after building a stake in Tesaro at distressed valuation levels, it gained from Glaxo Smith Kline's acquisition price of USD 75 per share (approximately USD 5 bn for the company). The entire position was sold at the time the transaction documents were released, which generated approximately 8% cash for the portfolio, and a substantial profit at a time when equity markets were under substantial pressure. Second and third, the remaining holdings in Novo Nordisk and Achillion were sold. Early in the fourth quarter further profits were taken on other large cap investments, Celgene, Gilead and Regeneron, which were then reinvested as part of the announced strategic portfolio reallocation – focusing more on existing smaller and mid cap portfolio companies and some promising new positions. BB Biotech took advantage of market conditions by investing more in existing mid cap companies such as Neurocrine, Agios, Alnylam and Sage at attractive valuations, and by increasing the stake in Argenx, Nektar, Myokardia and G1 Therapeutics. It also invested capital in Moderna Therapeutics, both in their record-breaking IPO of USD 600 mn and in the post-IPO opportunity created by a sell-off that drove share prices lower.

An investment was made in Kezar, a company new to BB Biotech, focusing on autoimmune disorders. The company's lead program, KZR-616, is a first-in-class immunoproteasome inhibitor about to be tested in Phase II trials in lupus nephritis patients.

Following a comprehensive review of the genetic therapy landscape, in line with BB Biotech's strategy to reinvest more in earlier stage leaders, capital was invested in Sangamo and Audentes. Sangamo has improved zinc finger nuclease technology for gene therapy over more than two decades and is advancing multiple fully-owned projects as well as partnered programs. Audentes has four gene therapies in clinical development. Their lead program is AT-132, an adeno-associated virus carrying the MTM1 gene for long-term expression of myotubularin in muscle cells for newborns with X-linked myotubular myopathy disease.

Outlook for 2019 – sector fundamentals exciting, very attractive valuation levels, in a continued volatile environment

BB Biotech believes that 2019 will continue to bring important technology progress allowing new drug modalities to address many unmet medical needs in future years. Thus, the management team's asset allocation will not only center around established areas - such as oncology, orphan diseases and neurological indications – but will also focus on rapidly emerging technologies which can offer novel drug modalities which promise the best therapeutic profile and economic value.

For example, BB Biotech believes that RNA-based medicines – currently in early adoption for rare and serious diseases – will broaden into larger patient populations in the coming years. On the other hand, one-time potentially curative genetic medicines are likely to be applied for the foreseeable future to rare, monogenetic diseases. As it has already done successfully in the past, BB Biotech will continue to add companies performing early-stage clinical development in these areas. With this strategy, BB Biotech's current focus on small molecules and biologics will evolve over time to include newer drug modalities based on technologies its portfolio managers expect to provide high-value medical solutions to seriously sick patients over the coming decade.

With respect to the biotechnology environment, continued debate around value assessment and structural change in the US healthcare system can be expected. This debate has impacted the profit outlook for large and profitable biotechnology and pharmaceutical companies. The decline in valuations during 2018 may force smaller and mid cap biotechnology companies requiring further financing to turn to M&A more readily than before. The surprising takeover of Celgene by Bristol-Myers Squibb for USD 70 bn underpins that even the large capitalized and highly profitable biotechnology companies can become acquisition targets thanks to their very attractive valuation levels.

With the transaction expected to consummate in the third quarter of 2019, BB Biotech would close out another long-term and highly successful investment.

These dynamics are welcomed by BB Biotech as a demonstration of the vibrancy of the investment cycle in biotechnology – and the need to remain diligent and focused on value creation for the future. Critically then, the growth case for the biotechnology industry and for BB Biotech's highly selective portfolio companies is as compelling as ever. Management anticipates that 2019 will be another banner year for product approvals as the FDA continues its quest to support innovation. BB Biotech looks forward to exciting news flow from its portfolio companies and believes that mid- and long-term growth in biotechnology will continue to provide an excellent case for investment.

The complete annual report as of December 31, 2018, will be published on February 15, 2019.

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Company profile

BB Biotech invests in companies in the fast growing market of biotechnology and is one of the world's largest investors in this sector. BB Biotech is listed in Switzerland, Germany and Italy. Its investments are focused on listed companies that are developing and commercializing novel medical treatments and cures. BB Biotech's investment selection process is guided by the fundamental research and analysis of physicians and molecular biologists. Its Board of Directors has many years of experience in industry and science.

Disclaimer

This release contains forward-looking statements and expectations as well as assessments, beliefs and assumptions. Such statements are based on the current expectations of BB Biotech, its directors and officers, and are, therefore, subject to risks and uncertainties that may change over time. As actual developments may significantly differ, BB Biotech and its directors and officers accept no responsibility in that regard. All forward-looking statements included in this release are made only as of the date of this release and BB Biotech and its directors and officers assume no obligation to update any forward-looking statements as a result of new information, future events or other factors.

Composition of BB Biotech's portfolio as of December 31, 2018

(in % of securities, rounded values)

Ionis Pharmaceuticals	15.1%
Incyte	7.8%
Neurocrine Biosciences	7.6%
Vertex Pharmaceuticals	7.3%
Esperion Therapeutics	5.0%
Celgene	4.7%
Agios Pharmaceuticals	4.3%
Sage Therapeutics	4.2%
Alexion Pharmaceuticals	4.1%
Halozyme Therapeutics	3.9%
Alnylam Pharmaceuticals	3.7%
Radius Health	3.5%
Argenx SE	2.7%
Gilead	2.7%
Moderna Therapeutics	2.3%
Akcea Therapeutics	2.3%
Wave Life Sciences	2.0%
Myovant Sciences	1.9%
Intercept Pharmaceuticals	1.9%
Exelixis	1.8%
Nektar Therapeutics	1.5%
Myokardia	1.4%
Macrogenics	1.3%
Scholar Rock Holdings	0.9%
Alder Biopharmaceuticals	0.9%
Voyager Therapeutics	0.9%
Regeneron Pharmaceuticals	0.8%
Intra-Cellular Therapies	0.8%
Kezar Life Sciences	0.6%
Audentes Therapeutics	0.5%
Sangamo Therapeutics	0.5%
Novavax	0.5%
G1 Therapeutics	0.4%
Cidara Therapeutics	0.2%
Radius Health Warrants, 02/19/2019	<0.1%

Total securities	CHF 3 064.2 mn
Other assets	CHF 22.6 mn
Other payables	CHF (202.3) mn
Net asset value	CHF 2 884.5 mn