Annual Report 2002

BBBIOTECH

BB BIOTECH AG

What the pictures tell

Children like Lea C. are our future. One day they will be able to benefit from new types of medicines, which today we can only dream of, thanks to the discoveries of biotechnology. The way of research and clinical development is long and hard and accompanied by alternating emotions. Curiosity, intellectual work and joy are quickly replaced with impatience, fear and disappointment – just as in the case of a child like Lea.

Annual Report 2002

Letter to the Shareholders

Dear Shareholders

The year 2002 was characterized by generally weak market conditions. Indeed, global stock markets declined for a third year in a row and most indices suffered significantly. BB BIOTECH was not exempted, with the BB BIOTECH Net Asset Value (NAV) and share price decreasing by 46.5% and 54.8% (in CHF), respectively. Of note, however, is that the NAV declined less than all major biotech indices. The difference between the BB BIOTECH share price and its underlying NAV (i.e. discount), increased to 17% by the end of the year. Given the solid structure of the BB BIOTECH balance sheet, its long-term track record, the investment strategy and the quality of our portfolio companies, we don't think this discount is justified.

Amidst the global stock market weakness, some biotech products yielded a strong performance, further validating the business plan of many biotech companies. These included Amgen's Aranesp and Neulasta, IDEC's Rituxan and Actelion's Tracleer. In addition, one of our core holdings, IDEC Pharmaceuticals, received approval from the US Food and Drug Administration (FDA) for its new drug Zevalin, which became the world's first radio-labeled therapeutic drug for the treatment of refractory non-Hodgkin's lymphoma (NHL). The FDA advisory committee also recommended for approval MedImmune's FluMist, which may become the first approved nasal influenza vaccine in the USA, providing a convenient alternative to the injectable products currently on the market.

In 2002, we significantly increased our positions in Amgen due to the anticipated strong performance of its key products. We also entered into several new participations including Serono, due to the improved prospects of its key product Rebif for treatment of multiple sclerosis following an early FDA ruling; Shire Pharmaceuticals, based on the strong performance of its key product Adderall XR for treatment of Attention Deficit and Hyperactivity Disorder (ADHD); Ligand Pharmaceuticals, due to the potential of Avinza for the treatment of severe pain; and Enzon, due to its strong technology platform based on pegylation of proteins. We sold our positions in ImClone, Third Wave Technologies, Titan Pharmaceuticals and GenVec, following disappointing performance. Several of our portfolio companies, including Neurocrine, EyeTech and Theravance, closed significant collaborations with large pharmaceutical partners to develop and market their drugs. These deals bode especially well for our private equity investments EyeTech and Theravance and might help to bring those companies public.

We are optimistic about the prospects for 2003 and expect new, innovative products from our portfolio companies to enter and perform well in the marketplace, such as MedImmune's FluMist. Given the long-term growth prospects of the companies in the biotech industry, we value the current share prices in this sector as attractive, both in terms of historical comparisons as well as in comparison with other industries. If one puts the current Price/Earnings ratio into context with the growth rate of earnings (PEG-ratio), biotech companies are actually cheaper than most companies of other industries. We expect M&A activities to continue at these valuations throughout the entire healthcare sector; consolidations should lead to more diversified, stable and product-oriented companies.

The Board of Directors of BB BIOTECH AG

Dr. Ernst Thomke
Chairman

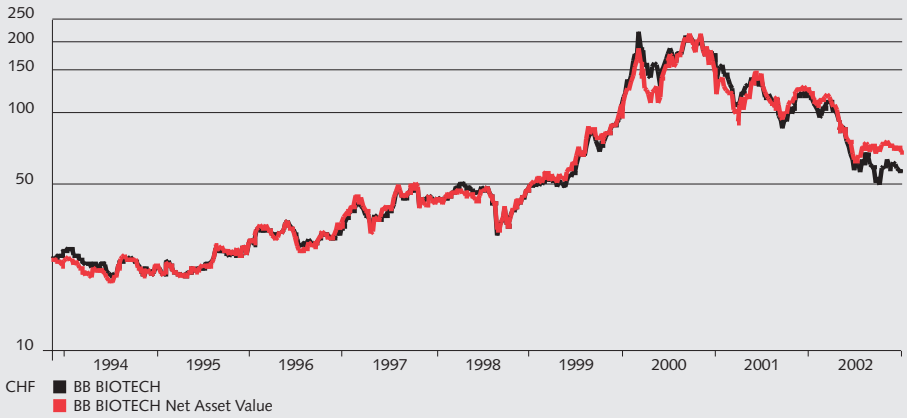
Dr. Victor Bischoff

Prof. Dr. David Baltimore

Key figures

Performance

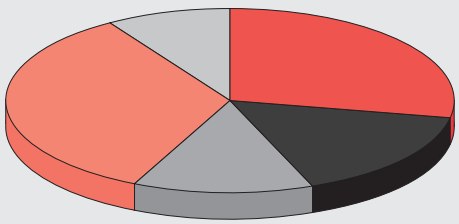
Bearer shares (Switzerland):	
12/31/2001–12/31/2002	**–55%**
Bearer shares (Germany):	
12/31/2001–12/31/2002	**–53%**
Bearer shares (Italy):	
12/31/2001–12/31/2002	**–54%**
Net Asset Value (in CHF):	
12/31/2001–12/31/2002	**–47%**
Performance since launch p.a.:	
11/15/1993–12/31/2002	**10%**
Outperformance (Net Asset Value) vs. Biotech-Index (BTK) since launch (Nov. 1993):	**45%**
Market capitalization as at 12/31/2002: CHF 1 579 mn/EUR 1 086 mn	



Swiss Stock Exchange, Source: DATASTREAM

Portfolio as at 12/31/2002

Securities and Liquid funds:	**CHF 1 770 mn**
Amgen	28%
IDEC Pharmaceuticals	16%
MedImmune	13%
Small participations	34%
Liquid funds	9%



Volume and Ranges

	2002	2001	2000	1999
High/low share price in CHF (SWX):	125.75/49.80	176.00/81.50	240.00/101.00	114.50/47.80
High/low Net Asset Value in CHF:	128.40/60.30	158.60/90.10	203.60/98.60	114.00/48.80
Closing price (SWX) at the end of the period in CHF:	56.80	125.75	176.00	114.50
Net Asset Value at the end of the period in CHF:	68.63	128.42	156.35	114.00
High/low in EUR (Germany):	83.50/33.60	116.50/55.50	151.50/63.45	71.00/29.55
High/low in EUR (IM, Italy):	83.00/33.80	113.00/55.15	145.00/106.00	N.A.
High/low Net Asset Value in EUR:	89.20/41.00	105.10/58.90	126.60/61.50	71.00/30.80
Closing price at the end of the period in EUR:	38.96	83.50	114.00	71.00
Closing price (IM) at the end of the period in EUR:	38.10	83.28	113.20	N.A.
Net Asset Value at the end of the period in EUR:	47.23	86.70	101.30	71.00
Average daily trading volume in CHF thousand:	6 982	13 365	30 723	11 019

Investment focus and selection

Many novel active substances and new therapeutic options have been developed in recent years through the use of modern biotechnology. BB BIOTECH offers its shareholders the opportunity to participate in this growth with above average profit prospects. The portfolio of securities generally consists of five to eight core holdings as well as 15 to 25 smaller participations. The proportion of unlisted companies is below 10%.

Investments in the area of drug development involve a consideration of the many inherent biologic complexities and regulatory hurdles. BB BIOTECH has assembled a Board of Directors comprised of three individuals, including one Nobel laureate, with first-rate expertise and diversification of experience in the biotechnology and pharmaceutical industry. Molecular biologists, doctors and finance specialists from Bellevue Asset Management are called upon for fundamental analysis and portfolio management of BB BIOTECH. Bellevue Asset Management consults a world-wide external network of specialists, institutions (e.g., hospitals) and resources (e.g., patent offices).

An extensive analysis and selection process is crucial to the decision on the choice of investments. This begins with broad market screening of the main therapy fields by the analysis teams in Zug/Switzerland and in Boston/USA. The most promising technologies and therapy approaches in these fields, for example, infectious illnesses, cancer or cardiovascular diseases, are sought out and their market potential determined.

Then follows identification of the companies operating in these fields. Due to the degree of familiarity with BB BIOTECH and knowledge of their long-term experience and investment methods, biotech companies frequently approach BB BIOTECH directly, proposing themselves as candidates.

Companies under consideration are evaluated based on their platform technology, intellectual property, product pipeline, competitive environment and milestone events, which could all drive share value. In doing this, BB BIOTECH concentrates on clinical study design, implementation and likelihood of success. Furthermore, strategies for future marketing of these potential drugs, and relevant business plans and sales arrangements are scrutinized. Particularly successful are those drugs offering a solution for illnesses which to date have not been treatable (i.e., high level of unmet medical need).

Evaluation of the management and the presence of a healthy financial structure also receive particular attention. Only those companies with an attractive risk-profit profile are included in the thorough selection process.

Before the Board of Directors agrees to setting up an investment, there is extensive due diligence testing. This includes company visits and management discussions, as well as interviews with leading physicians and specialists in the relevant field. Finally, an intensive financial analysis is carried out to assess the current and potential valuation of the company.

After inclusion in the portfolio of BB BIOTECH, companies are continuously monitored and frequently visited. The management is also invited to regular strategy weeks. This close scrutiny of the portfolio companies permits BB BIOTECH to make use of all strategic options, such as the sale of investments if there is significant risk of deterioration in the fundamental situation, or in the case of overvaluation. It is with this thorough initial assessment and continuous monitoring, focused on fundamental analysis that BB BIOTECH seeks to ensure above market return for its investors.

Industry outlook

The year 2002 was marked by significant market declines due in part to corporate scandals and geopolitical instabilities. Share prices in the biotechnology sector suffered again in 2002 after a disappointing performance in 2001.

While large-cap biotech companies were able to cushion the decline of their share prices by showing strong revenues and earnings growth, small- and mid-cap names suffered significant declines of their market valuations as investors discounted the value of pipeline projects and technologies to a minimum, reflecting the increasing risk aversion of market participants. As of the end of 2002, many listed biotech companies were trading at valuation close or even below their cash value.

The industry suffered a weak first half of 2002 as several products developments could not fulfill their promises. In particular, the →*FDA*'s rejection of ImClone's application for approval of Erbitux and the following investigations of several federal agencies shattered investors' confidence. Disappointing results from genomics-derived projects like Human Genome Sciences' Myeloid Progenitor Inhibitory Factor cast a shadow over the entire genomics sector.

During the second half of 2002, the tide turned with strong revenues and earnings numbers from companies like Amgen, positive FDA advisory panel opinions like the one regarding MedImmune's FluMist, and positive clinical data from important clinical studies such as TMC's Angiomax. During the second half of 2002, the biotech indices suffered only modest losses, declining approx. 5% during that period.

Currently, the global biotech industry includes around 4 000 companies, with around 45% of the companies being located in Europe and around 35% located in the US. However, in terms of the number of listed companies, number of employees and revenues, the US is still the clear leader, representing around 70% of the total in each of the parameters.

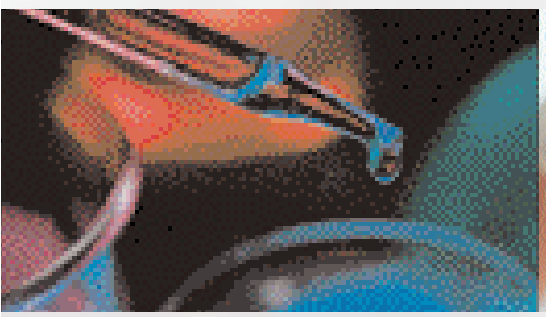
While the market capitalization of the biotech industry is still a fraction of the market capitalization of the traditional pharmaceutical industry, biotech is still increasing its contribution to mankind's new medications. Of the anticipated 33 new pharmaceutical or biotechnological therapeutics, which might be launched in 2003, 18 (55%) are derived from biotechnology companies and will be marketed directly by these companies or in collaboration with pharmaceutical partners. The corresponding proportions in 2000, 2001 and 2002 were 25%, 38% and 52%, respectively.

Despite all the set-backs and failures in clinical development, which attracted a lot of attention in 2002, the industry continues to deliver healthy results in terms of new drugs: The number of projects in development increased in 2002 beyond 900, up from 250 in 1994, and the number of approved products increased beyond 150. During 2002, the FDA approved 20 new biotechnology products, an increase of 25% from 2001. In 2003, the FDA is expected to decide about 25 new products.

During 2002, the M&A activity in the sector did not increase, despite significant lower valuations of many companies. Only three IPOs debuted in 2002 as the markets did not support rich valuations. The amount of money raised through public offerings during 2002 decreased to USD 1.4 bn, down from USD 4.5 bn during 2001. Interestingly, private biotech companies did better. The money inflow into private companies decreased only slightly from USD 3.7 bn to USD 3.2 bn. This reflects the still significant amount of cash available for venture capitalists.

The biotech industry remains dependent on regulatory agencies. In the US, the Food and Drug Administration responded this year to major criticisms by industry and consumer groups with a major restructuring. Namely, the Center for Drug Evaluation and Research will be assuming the lion's share of responsibilities for drug approvals, with the Center for Biologics Evaluation being refocused on vaccines and →*gene therapy*. The year 2002 also saw passage of the Prescription Drug User Fee Act III (PDUFA III), with increased user fees, enabling the FDA to increase its staff by approx. 450 new reviewers. Lastly, with the appointment of a new head to the FDA, the Bush administration filled a major void in the management of the agency.

Recent US political events also bode well for the healthcare sectors in general. The new Senate majority leader is a former surgeon and places Medicare drug reform at the top of his political agenda. Medicare reform in general and a Medicare drug benefit would have major implications for providing government coverage for biotechnology products.



Portfolio

The majority of BB BIOTECH's portfolio is invested in seven profitable biotech companies who have successful products on the market (66%), with an additional 9% of our assets being invested in three companies which have recently launched products on the market but are still cash-flow negative. 11% is invested in nine companies with promising late-stage drugs in their pipelines (Phase II/III). Two positions have interesting technology platforms (1%), two positions are still private (4%).

Geographically, the vast majority of our holdings are based in the United States (20 companies representing 80% of the portfolio), three companies (11%) are from Great Britain and Switzerland.

In terms of therapeutic areas, cancer continues to be the most important investment area.

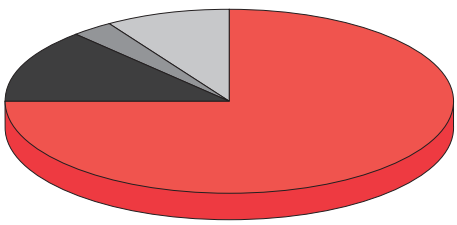
As at December 31, 2002 liquid funds amounted 9% of our total assets.

The portfolio consists of three core positions and twenty smaller holdings. As at December 31, 2002, Amgen was the largest holding, representing 28% of the portfolio (market value: CHF 493 mn). The other two core positions are IDEC Pharmaceuticals at 16% (market value: CHF 289 mn) and MedImmune at 13% (market value: CHF 227 mn).

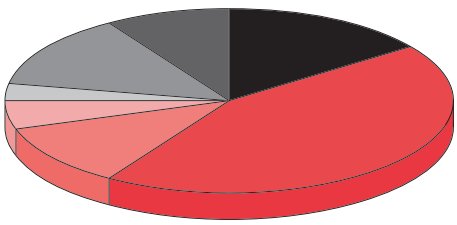
In 2002 we entered into four new participations (Serono, Shire, Ligand and Enzon). We significantly increased our positions in Amgen, IDEC, Pozen and EyeTech. We sold four positions (ImClone, Third Wave Technologies, GenVec and Titan Pharmaceuticals) due to disappointing clinical results or lack of commercial success.

Portfolio composition overview

Products on the market – companies with profit	75%
Products in Phase II/III – companies still cash-negative	13%
Technology	3%
Liquid funds	9%



Infectious diseases	15%
Oncology	44%
Cardiovascular diseases	11%
Pain	5%
CNS	3%
Others	13%
Liquid funds	9%



Participations as at December 31, 2002

Company	Number of securities	Change since 12/31/2001	Local currency	Share price	Market value in CHF mn	In % of portfolio	In % of company
Amgen	7 350 000	1 875 000	USD	48.34	493.0	27.9%	0.6%
IDEC Pharmaceuticals	5 575 800	1 143 800	USD	33.17	256.6	14.5%	3.6%
IDEC Zero Bond	42 000 000	42 000 000	USD	55.57	32.4	1.8%	
MedImmune	6 010 000	–5 096 000	USD	27.17	226.6	12.8%	2.4%
Serono	137 302	137 302	CHF	741.00	101.9	5.8%	0.9%
Actelion	1 165 000	25 000	CHF	61.00	71.1	4.0%	5.5%
The Medicines Company (TMC)	2 980 500	–2 224 337	USD	16.02	66.3	3.7%	7.6%
Neurocrine Biosciences	750 000	–593 500	USD	45.66	47.5	2.7%	2.5%
CV Therapeutics	1 863 147	420 000	USD	18.22	47.1	2.7%	6.9%
Adolor	1 565 000	–177 500	USD	13.91	30.2	1.7%	5.0%
Shire Pharmaceuticals	1 100 000	1 100 000	USD	18.89	28.8	1.6%	0.7%
Ligand Pharmaceuticals	2 692 500	2 692 500	USD	5.37	20.1	1.1%	3.8%
Pozen	2 800 000	2 318 000	USD	5.15	20.0	1.1%	9.9%
Cubist Pharmaceuticals	1 120 000	315 000	USD	8.23	12.8	0.7%	3.9%
3-Dimensional Pharmaceuticals	2 850 483	–410 487	USD	3.23	12.8	0.7%	12.6%
Enzon Pharmaceuticals	522 500	522 500	USD	16.72	12.1	0.7%	1.2%
Endo Pharmaceuticals	1 087 000	0	USD	7.70	11.6	0.7%	1.1%
Cell Therapeutics	920 500	0	USD	7.27	9.3	0.5%	2.8%
Virologic	3 605 004	0	USD	1.33	6.7	0.4%	14.5%
Virologic Bond Series C Conv. Prom. Note	2 421 304	2 421 304	USD	82.60	2.7	0.2%	
Transkaryotic Therapies (TKT)	699 900	218 400	USD	9.90	9.6	0.5%	2.0%
Durect	2 254 957	0	USD	2.02	6.3	0.4%	4.5%
Regeneron Pharmaceuticals	240 000	0	USD	18.51	6.2	0.3%	0.6%
Theravance (before Advanced Medicine) [1]	3 111 111	0	USD	8.00	34.5	2.0%	5.6%
EyeTech Pharmaceuticals [1]	2 859 468	1 756 531	USD	7.05	28.0	1.6%	13.1%
Total					**1 594.2**	**90.1%**	
Derivatives							
The Medicines Company (TMC) warrants (long)	675 925	0	USD	10.74	10.1	0.6%	
Endo Pharmaceuticals warrants (long)	1 449 500	0	USD	0.05	0.1	0.0%	
Virologic warrants (long)	438 597	438 597	USD	0.09	0.1	0.0%	
Virologic warrants (long)	199 705	0	USD	0.00	0.0	0.0%	
EyeTech Pharmaceuticals warrants (long)	571 894	351 306	USD	0.00	0.0	0.0%	
Total					**1 604.5**	**90.7**	
Liquid funds (net) [2]					165.4	9.3%	
Total					**1 769.9**	**100.0%**	
BB BIOTECH bearer shares [3]	2 076 903	1 019 261			117.8		
Total					**1 887.7**		

[1] unlisted company
[2] included Treasury Bonds
[3] correspond to the total of all own shares held in Switzerland, Germany and Italy. Closing prices see at page 5.

Exchange rates as at 12/31/2002:
USD/CHF: 1.3876
EUR/CHF: 1.4534

Company profiles

Amgen

Market capitalization as at 12/31/2002: USD 63.0 bn

Amgen, the world's largest biotech company, has had another strong year in 2002, including its successful merger with Immunex, its gaining approval of Aranesp for the treatment of chemotherapy-induced ➔*anemia*, its gaining approval of its second-generation Neupogen, called Neulasta, and its filing for approval of its Rhode Island plant for the increased production of its ➔*rheumatoid arthritis* (RA) drug, Enbrel. These new additions to Amgen's product portfolio are already generating substantial revenues for the company. Amgen's core blockbuster drugs ➔*Epogen*, for the treatment of anemia associated with renal disease, and Neupogen, for the stimulation of the production of white blood cells in ➔*cancer* patients suffering from chemotherapy-induced neutropenia, continue to generate significant revenues as well. Kineret, an IL-1 antagonist approved for use in patients with RA for whom treatment with Enbrel has been unsuccessful, creates an especially strong franchise in RA. Enbrel has potential for expansion into other indications such as ➔*psoriasis*. Amgen recently provided strong product sales, revenues and earnings guidance for 2003, pointing to a further potentially strong year in 2003. Finally, Amgen's key pipeline drug cinacalcet (AMG073), for the treatment of hyperparathyroidism in renal disease patients, continues to impress in ➔*clinical trials*.

IDEC Pharmaceuticals

IDEC is focused on ➔*monoclonal antibodies* for the treatment of cancer and ➔*autoimmune diseases*. IDEC's first marketed product is Rituxan, the first monoclonal antibody approved for the treatment of ➔*non-Hodgkin's lymphoma* (NHL). Rituxan is co-promoted with Genentech in the US. IDEC receives royalties on Rituxan sales from Roche outside the US and Japan, and from Zenyaku Kogyo in Japan. Rituxan continues to generate significant revenues particularly in the US, driven primarily by its growing use in combination with chemotherapy and in the long-term or maintenance setting. It is now the largest ➔*oncology* drug in revenue terms in the world. Rituxan is considered to be the standard biologic treatment for NHL.

IDEC's second product Zevalin, a radio-labeled monoclonal antibody, was approved by the Food and Drug Administration (➔*FDA*) and launched in 2002. IDEC markets Zevalin in the US on its own, and will receive royalties on ex-US sales from partner Schering AG. Zevalin together with Rituxan provide a powerful therapeutic answer to NHL.

Market capitalization as at 12/31/2002: USD 5.3 bn

MedImmune

MedImmune is focused on infectious diseases with several marketed drugs. Synagis, a humanized monoclonal antibody that binds to the Respiratory Syncytial Virus (➔*RSV*), is used to prevent RSV infection in premature infants. It is estimated that up to 70% of infants are infected by RSV and 100% of children under two years of age are exposed. Synagis had

Market capitalization as at 12/31/2002: USD 7.1 bn

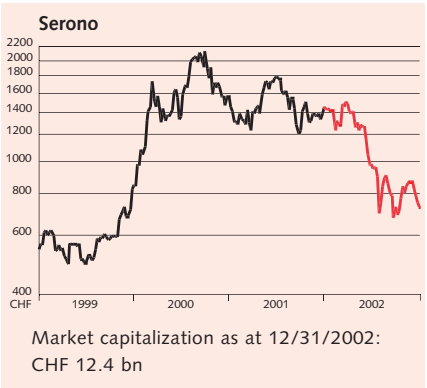
sales in excess of USD 480 mn in the year ended June 2002. Cytogam, a monoclonal antibody for the treatment of cytomegalovirus infection (➔*CMV*), attenuates the infection with CMV in transplant recipients who are typically at risk because of concomitant immunosuppressant therapy. MedImmune's lead development product, FluMist, was recommended for approval by the FDA advisory Committee on December 17, 2002. Approved, FluMist would be the first nasal influenza remedy in the US. Influenza affects approximately 125 mn people in the US alone, resulting in 10 000 to 40 000 deaths per year; currently approximately 80 mn influenza-vaccinations are administered in the US every year. FluMist is expected to be marketed at a premium price of around USD 40 per dose and will be co-promoted by Wyeth.

In addition, MedImmune's development pipeline offers vaccines and therapeutic antibodies. One vaccine against human papillomavirus to prevent cervical cancer is being developed in collaboration with GlaxoSmithKline. Large Phase II studies are ongoing. Two antibodies are also being developed: MEDI-507, to treat psoriasis, and Vitaxin, a monoclonal antibody with anti-➔*angiogenic* activity that is being tested for cancer and non-cancer indications.

Serono (new)

Serono is one of the global biotechnology leaders with revenues of approx. USD 1.5 bn and six recombinant products on the market.

Company profiles



Market capitalization as at 12/31/2002:
CHF 12.4 bn

Serono is the world leader in the treatment of infertility with a market share of more than 60%. The strength of the franchise is related to the comprehensive product portfolio, in particular the franchise of recombinant products.

Rebif is Serono's successful product for the treatment of ➔*multiple sclerosis*. Rebif is the market leader outside the US. Due to a landmark clinical study, the EVIDENCE trial, Rebif received marketing approval in the US in March 2002, overturning the orphan drug status of Avonex, a major competitor. The launch of Rebif in the US has proven so far to be highly successful, exceeding market expectations.

Serono has developed growth and metabolism treatments for the disease areas of pediatric growth deficiencies (Saizen) and ➔*AIDS* wasting (Serostim).

Serono's pipeline comprises 30 ongoing development projects with 21 new molecules, focusing on the areas of reproductive health, multiple sclerosis, rheumatoid arthritis, Crohn's disease, short bowel syndrome and prostate cancer.

In August 2002, Serono entered into an agreement with Genentech to potentially market the psoriasis treatment Raptiva internationally outside the US, Japan and certain Asian countries. The filing of the application for marketing Raptiva in Europe is expected to take place in early 2003.

Actelion

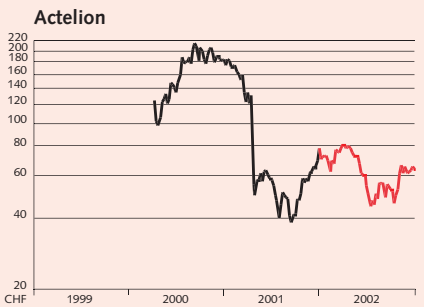
During 2002 Actelion successfully launched its first drug Tracleer in the US and in most European countries. Tracleer is approved for the treatment of pulmonary hypertension, a disease with insufficient treatment options affecting around 100 000 patients worldwide. Tracleer is the first orally administered ➔*endothelin* receptor antagonist, representing a promising new class of drugs which might offer important therapies for a variety of diseases, including idiopatic pulmonary fibrosis (➔*IPF*), digital ulcers and malignant melanoma.

Actelion's second late-stage product, Veletri, is aimed at the treatment of acute heart failure. Veletri is expected to enter a new pivotal Phase III trial at the beginning of 2003.

Both Tracleer and Veletri are partnered with Genentech.

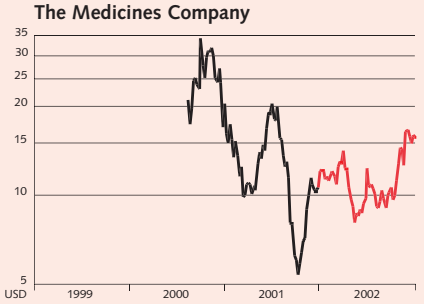
During 2002, Actelion built a global sales organization for marketing and selling restricted drugs such as Tracleer as well as Zavesca, a drug developed by Oxford Glycoscience for the treatment of Gaucher's disease. Zavesca was approved by the European Commission on November 26, 2002 for marketing in the European Union.

In addition, Actelion developed its research pipeline during 2002, including promising projects in the areas of cardiovascular diseases, obesity and Alzheimer's disease.



Market capitalization as at 12/31/2002:
CHF 1.4 bn

The Medicines Company



Market capitalization as at 12/31/2002:
USD 629 mn

The Medicines Company's mission is to acquire, develop, and commercialize biopharmaceutical products that are in late stages of development or have been approved for marketing. The company's lead product, Angiomax (bivalirudin), is an anticoagulant for use in patients with unstable angina undergoing percutaneous transluminal coronary angioplasty (➔*PTCA*). Results of an important clinical study, the REPLACE-2 trial, were presented at the yearly American Society of Hematology Meeting. REPLACE-2, the largest trial of its kind with over 6 000 patients, achieved all its endpoints with statistical significance. It demonstrated that Angiomax had significant advantages over unfractionated heparin with a lower risk of ➔*ischemic complications* and a substantial reduction in bleeding. Results from another clinical trial also showed that Angiomax-treated patients have a significantly reduced combined risk of death or second heart attack compared to heparin-treated patients. While more expensive than heparin, the pharmacoeconomic arguments are in favor of Angiomax because of fewer complications and ease of use. The company expects the publication of the REPLACE-2 data in early 2003 to be of significant use in their marketing efforts. The company is also developing a short-acting calcium channel blocker called clevidipine, currently in Phase III.

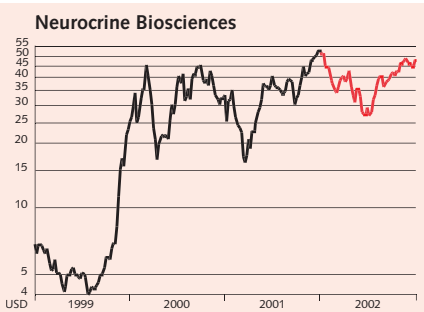
Neurocrine Biosciences

Neurocrine is pursuing multiple development

Company profiles

programs that address very substantial commercial markets. These include a →*GABA* agonist for insomnia and a corticotropin releasing factor (CRF) receptor antagonist for anxiety, depression and gastrointestinal disorders. In 2002, Neurocrine continued to make steady progress with its lead product, NBI-34060 (indiplon), which is an insomnia drug currently in an extensive Phase III program. In November, Neurocrine announced positive results in its first of eight Phase III trials. Indiplon has the opportunity to capture a significant portion of the market for insomnia products due to its higher potency and favorable side-effect profile.

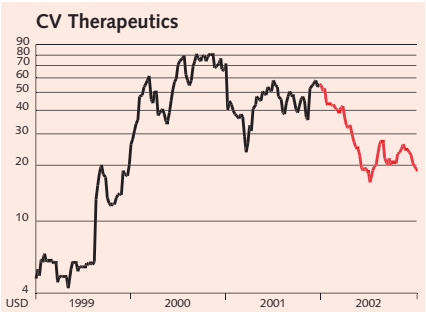
In December, Neurocrine secured a partnership with Pfizer for the exclusive worldwide development and commercialization of indiplon. Under the terms of the collaboration, Neurocrine will receive an initial payment of USD 100 mn and up to USD 300 mn in milestone payments. By year's end, Neurocrine also presented positive results from its second trial with IL-4 Fusion Toxin (NBI-3001) for the treatment of glioblastoma multiforme malignant brain tumors, and announced its intent of outlicensing this product in order to better focus on its psychiatric portfolio.



Market capitalization as at 12/31/2002:
USD 1.4 bn

CV Therapeutics

CV Therapeutics (CV) is focused on developing novel drugs to treat cardiovascular diseases. In December 2002 the company submitted an NDA for its lead drug Ranolazine, which acts by a novel mechanism of action

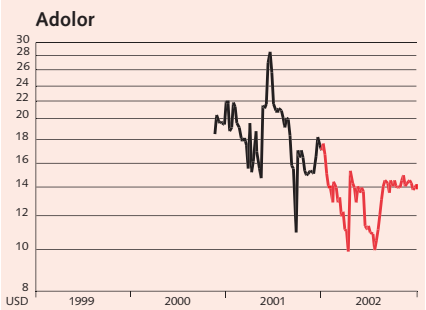


Market capitalization as at 12/31/2002:
USD 512 mn

that improves oxygen utilization in cardiac muscles, thus reducing symptoms associated with →*angina pectoris*. Angina pectoris affects 6.4 mn people in the US, with 400 000 new cases identified each year. In addition, CV has two other drug candidates in clinical trials, CVT-510 for the treatment of atrial arrhythmias, and CVT-1535, a pharmacologic stress agent for potential use in cardiac diagnostic evaluations. Strong Phase III data were presented at the American Society of Hematology meeting for CVT-510 in atrial fibrillation.

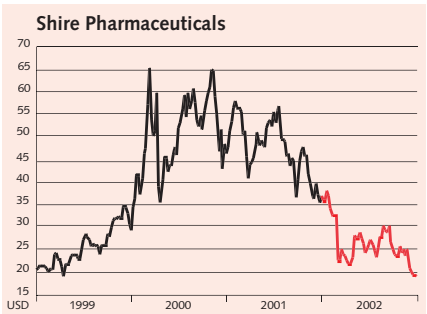
Adolor

Adolor is focused on the treatment of narcotic-induced ileus, or malfunctioning of bowel motility, associated with surgical procedures and prolonged outpatient narcotic use. Their lead compound Alprazolam is an orally administered, nonabsorbable opioid receptor antagonist that acts to inhibit narcotic activity in the bowel. This mechanism of action allows narcotic medication to be used to treat pain without adverse affects on bowel function. Results from a Phase II Alprazolam trial in narcotic-induced bowel dysfunction achieved its endpoint. Work on this indication will be spearheaded by the pharmaceutical partner, GSK, who will develop Alprazolam for all chronic indications. The first of three Phase III clinical trial results in a post-surgical ileus indication are expected early in 2003.



Market capitalization as at 12/31/2002:
USD 438 mn

Shire Pharmaceuticals (new)



Market capitalization as at 12/31/2002:
USD 3.4 bn

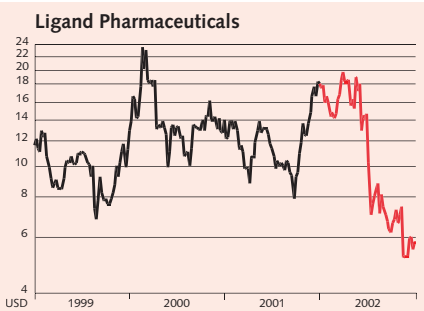
Shire is a bio-pharmaceutical company with a primary focus on the US market but with operations in major European markets and other regions. The company's key franchise is centred on the attention deficit and hyperactivity disorder (ADHD) market with Adderall and Adderall XR. Other important drugs include Agrylin (for the treatment of thrombocytemia (raised blood platelet levels) and Pentasa (for the treatment of ulcerative colitis). Shire receives substantial royalties on sales of its antiviral franchise (3TC for the treatment of →*HIV* patients and Zeffix for the treatment of patients suffering from hepatitis B viral infections). A key drug for 2003 and the near-term future will be Fozrenol, currently filed with the FDA, EMEA and the Canadian authorities, for the treatment of hyperphosphatemia in dialysis patients (chronic kidney disease and end stage renal disease). Late-stage development is proceeding in Japan. Shire has a number of projects in its pipeline including SPD 503 (ADHD), Troxatyl (leukemia and pancreatic cancer), SPD 421 (epilepsy), and SPD 473 (→*Parkinson's*

Company profiles

disease). 2002 proved to be a key year for the company as it successfully switched patients from its generic-threatened, twice daily ADHD therapy Adderall to the improved once daily Adderall XR, first rescuing and then beginning to grow the franchise. The company's product portfolio is poised to generate approximately USD 1 bn for the first time in 2002. Shire recently announced a change in top management with the replacement of the incumbent CEO.

Ligand Pharmaceuticals (new)

Ligand has five products on the market and runs an active royalty-based collaboration program with several major pharmaceutical companies. Avinza, the first once-a-day oral morphine for moderate to severe pain, was approved and launched in March 2002. In November 2002, Ligand acquired Avinza rights from Elan with whom they codeveloped the product. This allows them greater flexibility to market Avinza successfully. The other four marketed products include Targretin (gel and capsules), Ontak, and Panretin. The majority of the use of these products is off-label; numerous investigator-sponsored clinical trials are in progress to support further applications ranging from lymphoma to psoriasis. Two large pivotal Phase III trials were also initiated this year combining Targretin with chemotherapy in NSCLC. Ligand continues to make progress towards profitability.



Market capitalization as at 12/31/2002: USD 393 mn

Pozen

Market capitalization as at 12/31/2002: USD 145 mn

Pozen is focused on developing products for →*migraine* therapy, a global market expected to exceed USD 2 bn this year. A portfolio of three drugs including one injectable drug for the treatment of migraine is under development. Pozen's lead product, MT100, uses a proprietary therapeutic formulation that combines two marketed compounds (Naproxen and Metoclopramide) in an oral delivery system for the first-line treatment of mild to moderate migraine headaches. Phase III clinical results demonstrate that the product has similar therapeutic benefits as the leading migraine prescription treatments (Triptan drugs) with a vastly improved side-effect profile. US approval is targeted for 2004.

In December, Pozen announced the NDA submission of MT300, a proprietary injectable formulation for the acute treatment of migraine. Finally, Phase III studies for its MT400 are expected to get underway in 2003. MT400 is a proprietary formulation of a →*Triptan* drug in combination with a long-acting non-steroidal anti-inflammatory drug (→*NSAID*) in a single tablet for the treatment of acute migraine.

Cubist Pharmaceuticals

Cubist focuses on the development and commercialization of novel antimicrobial drugs to combat serious and life-threatening bacterial and fungal infections. Its lead product, Cidecin, is currently under regulatory review for the treatment of serious infections. The company has already released positive results from two pivotal Phase III studies demonstrating Cidecin's efficacy and safety in treating gram-positive complicated skin/soft tissue infections (cSST). In January, Cidecin suffered a set-back, when it failed to show non-inferiority to an active comparator agent in preliminary results for the treatment of community-acquired pneumonia requiring hospitalization. Nonetheless, by year's end Cubist had filed a New Drug Application (NDA) with the US Food & Drug Administration (FDA), and requested that the FDA consider granting Cidecin priority review status. Cubist is further investigating the use of Cidecin, and it initiated a Phase III trial to evaluate its use for the treatment of infective endocarditis (IE) and bacteremia caused by Staphylococcus aureus.

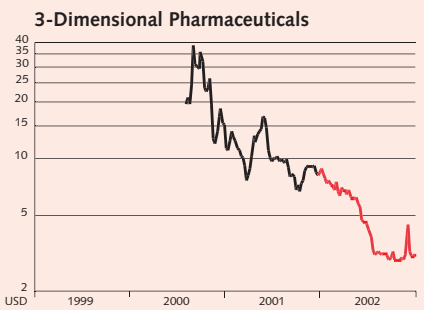
Cubist is currently seeking a partner for Europe as well as Asia to develop and market Cidecin.

Market capitalization as at 12/31/2002: USD 228 mn

3-Dimensional Pharmaceuticals

3DP is a drug discovery company that focuses on the discovery and optimization of small molecule drugs intended for oral administration. 3DP uses structure-based drug design, combinatorial chemistry, computer-controlled robotic synthesis, and chemo-informatics to generate potent drug leads. The technology automates essential steps in the discovery and optimization of drug leads and, as a result,

Company profiles



Market capitalization as at 12/31/2002:
USD 72 mn

3DP is able to develop compounds for difficult pharmacological targets. 3DP's most advanced program, an orally administered antithrombotic, has already advanced into clinical development and is partnered with Johnson and Johnson for cardiovascular indications.

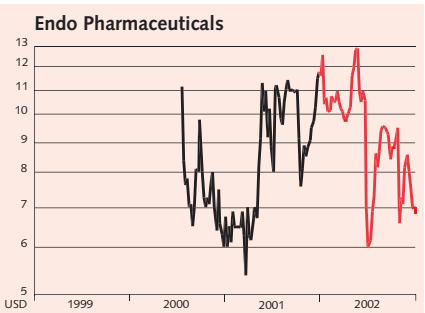
Enzon Pharmaceuticals (new)

Enzon is a biopharmaceutical company that has developed and launched three products so far, including Peg-Intron that is used to treat hepatitis C and currently marketed by Schering-Plough. Enzon is engaged in drug development programs that leverage its PEG modification and single-chain antibody (SCA) technologies. In particular, PEG, or polyethylene glycol, technology is used in an attempt to improve the delivery, safety, and efficacy of proteins with known therapeutic efficacy. Early this year, Enzon effectively strengthened its Intellectual Property (IP) on PEG by forming a broad strategic alliance with Nektar Pharmaceuticals.

Market capitalization as at 12/31/2002:
USD 733 mn

In 2002, Enzon successfully broadened and diversified its revenue stream by acquiring the product Abelcet, an antifungal agent used in hospitals to treat patients with fungal infections.

Endo Pharmaceuticals

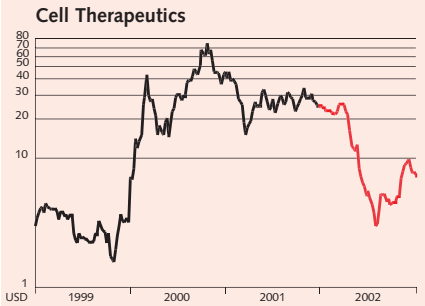


Market capitalization as at 12/31/2002:
USD 845 mn

Endo is engaged in research, development, sales and marketing of prescription pharmaceuticals used to manage pain. Endo's current product portfolio includes drugs such as Lidoderm, which combines lidocaine, a well-known anaesthetic agent, with a proprietary patch technology that allows for a very efficient treatment of topical pain, and Percocet (oxycodone and acetaminophen) for the relief of moderate to moderately severe pain. These drugs continue to outperform expectations in the market. However, Endo's year has been disappointing in terms of new product development, with the failure in two out of three trials of its lead pipeline drug, Morphidex, a combination of morphine with dextromethorphan, an NMDA receptor antagonist, to treat moderate pain.

Cell Therapeutics

Cell Therapeutics (CTI) is focused on the development of new cancer therapies. It currently markets Trisenox, an arsenic trioxide compound with activity against a variety of blood cancers including leukemias and multiple ➔*myeloma*. In addition, CTI is developing polyglutamated Taxol (PG-Taxol), a novel formulation of the anticancer agent Paclitaxel. This formulation is expected to have an enhanced pharmacokinetic and pharmacodynamic profil, resulting in an improved side-effect profile without sacrificing efficacy. Multiple Phase III trials are currently underway in ovarian and lung cancers, with additional Phase II trials in breast and colon cancers. The Gynecology and Obstetrics Group (GOG), clinical trial network responsible for a establishing the standard care of ovarian cancer, has agreed to run the ovarian pivotal trial. This provides an endorsement of PG-Taxol and financial relief for CTI in executing the trials. PG technology may be applied to other anticancer agents with the expectation that many existing anticancer agents can be significantly improved.



Market capitalization as at 12/31/2002:
USD 255 mn

Virologic

Virologic focuses on susceptibility testing for viral diseases. Its lead technology, PhenoSense GT, is a test that establishes HIV resistance profiles for determining optimal treatment regimens for HIV-infected patients. Multiple products were launched this year such as PhenoScreen (high throughput screening product), and a new Replication Capacity assay (treatment decision tool that measures the HIV virus "fitness" in infected patients). At year's end, Virologic announced that favorable Medicaid reimbursement policies had

Company profiles

now been established in key markets for phenotypic and genotypic HIV drug resistance testing, which should keep driving the usage of Virologic's technology. Virologic successfully raised a total of USD 17 mn in two private placements in 2002, and secured two important partnerships with Pfizer and GlaxoSmithKline.

Market capitalization as at 12/31/2002: USD 27 mn

Transkaryotic Therapies

TKT develops therapeutic proteins on the basis of two technology platforms: gene activation and ➔*gene therapy*. Its Niche Protein platform is aimed at protein replacement therapies for rare genetic disorders such as ➔*Fabry's disease* and ➔*Hunter syndrome*.

TKT's first product, Replagal for treatment of Fabry's disease, was approved in Europe in August 2001. The regulatory review of Replagal in the US is still ongoing. Clinical data of Replagal will be discussed at a meeting of the FDA Advisory Committee on January 14, 2003.

Market capitalization as at 12/31/2002: USD 348 mn

Another product of TKT's development pipeline, iduronate-2-sulfatase (I2S), its investigational ➔*enzyme* for the treatment of Hunter syndrome, has been designated an orphan drug in both Europe and the US. In June 2002, TKT announced positive preliminary results of I2S in its first clinical trial.

Dynepo is an innovative version of Erythropoietin – produced in human cells –, developed in collaboration with Aventis. The market introduction of the product is still being slowed down by several patent disputes. After being granted marketing authorization for Dynepo in the European Union, TKT won a unanimous opinion in favor of TKT and Aventis Pharma in the patent infringement suit involving Amgen before the United Kingdom Court of Appeal. TKT and Aventis are still awaiting the resolution of this case in the United States before divulging their plans to market Dynepo.

Durect

Market capitalization as at 12/31/2002: USD 106 mn

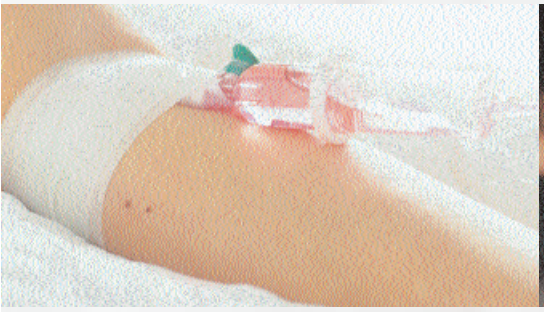
Durect is focused on developing innovative drug-delivery technologies, especially in the area of pain medication.

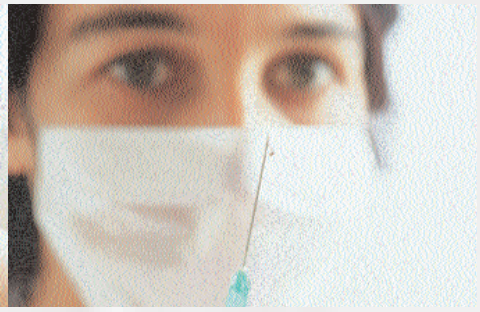
After a series of product development agreements in 2002 aimed at widening its drug-delivery product pipeline, Durect capped off the year with a development/distribution deal with Endo Pharmaceuticals for its lead product Chronogesic. The deal addresses any potential near-term financing issues and provides the company with a very strong ally in the pain medication field. Chronogesic is the next product utilizing JNJ Alza's successful DUROS technology platform. DUROS is a miniaturized implantable drug-dispensing osmotic pump that is implanted under the skin through a simple incision and can be used to deliver drugs for extended periods of time.

Regeneron Pharmaceuticals

Market capitalization as at 12/31/2002: USD 821 mn

Regeneron is active in the area of obesity and inflammatory diseases. Regeneron's lead compound, Axokine, is a ciliary neurotropic factor that acts in the brain to affect the energy balance. In a Phase II clinical trial, Axokine appeared to cause significant weight reduction and most importantly does not cause immediate rebound weight gain in patients after cessation of treatment. Results from the pivotal Phase III trial are expected in the first half of 2003. Several other trials examining dosing schedules and population subgroups are in progress. Obesity is a serious health problem affecting approximately 45 mn people in the US. Regeneron also has a pipeline of soluble high-affinity cytokine receptors that bind and neutralize cytokines such as IL-1, IL-4 and IL-13. These cytokines are known to have significant effects in diseases such as ➔*rheumatoid arthritis*, asthma and psoriasis.





Company profiles

Theravance

(formerly Advanced Medicine, not listed)
Theravance is developing improved drugs based on its technologies in the areas of multivalency and pharmacology.

The company recently announced a joint development and distribution agreement with GlaxoSmithKline (GSK) for Theravance's Beta-2 agonist program for asthma and →*COPD*. This collaboration is the first of a number of potential corporate deals expected over the coming years and an important validation of the company's multivalent drug discovery and development technology for small-molecule drugs. Financially, it infuses over USD 50 mn in initial new funds (including an equity stake by GSK), a potential USD 25 mn in additional milestone payments over the next 18 months, and provides Theravance a 15% royalty on a multi-product portfolio. Further development progress includes potential initiation of Phase III studies for a next-generation broad spectrum IV antibiotic and lead optimization on a series of drugs for overactive bladder disorder.

EyeTech Pharmaceuticals

(not listed)
In December 2002, EyeTech and Pfizer entered into a worldwide agreement to jointly develop and commercialize EyeTech's Macugen, a potential treatment for age-related →*macular degeneration* (AMD) and diabetic →*macular edema* (DME). The deal calls for EyeTech to receive initial payments of USD 100 mn, with the potential for an additional USD 195 mn in milestone payments based on worldwide regulatory submissions and approvals. Additional sales milestone payments could total USD 450 mn. It is expected that EyeTech and Pfizer will co-market the drug in the US and the EyeTech will establish an independent sales effort. Pfizer will have exclusive rights to sell Macugen outside the US and pay an undisclosed royalty to EyeTech. In 2002, EyeTech completed enrollment in its US and European Phase III clinical trials on a timely basis. Submission of the drug for FDA and European regulatory approval is expected this year, with a possible worldwide launch in 2004.

Source of charts: Datastream

Glossary

AIDS:	(Acquired Immunodeficiency Syndrome) Chronic infection with human immunodeficiency virus (HIV). The function of certain cell types of the immune system is altered. Therefore, AIDS patients have a compromised immune system.
Anemia:	Condition in which the blood is deficient in red blood cells, in hemoglobin, or in total volume.
Angina pectoris:	A symptom complex usually involving chest pain which can occur during physical exercise. Usually a consequence of narrowed coronary arteries.
Angiogenesis/angiogenic:	Angiogenesis represents the formation of blood vessels, which are necessary for the nutrition of tissue. An anti-angiogenic agent is designed to inhibit growth of blood vessels, for example to inhibit tumor growth.
Autoimmune disease:	Disease caused by reaction of the body's immune system against a component of the body.
CHF:	(Congestive Heart Failure) A result of compromised cardiac function, resulting in accumulation of fluid in the lungs or extremities.
CMV:	(Cytomegalovirus Infection) Cytomegalovirus: belongs to the herpes virus group. In most cases infection remains latent and infected persons carry the virus for life. The infection becomes frequently life-threatening in immunocompromised patients like patients suffering AIDS or patients with suppressed immune system due to organ transplantation.
COPD:	(Chronic obstructive pulmonary disease) COPD, also called chronic obstructive lung disease, is a term that is used for two closely related diseases of the respiratory system: chronic bronchitis and emphysema. At first there may be only a mild shortness of breath and occasional coughing. As the disease progresses, the cough becomes more frequent and more and more effort is needed to get air into and out of the lungs. In later stages of the disease, the heart may be affected. Eventually death occurs when the function of the lungs and heart is no longer adequate to deliver oxygen to the body's organs and tissues. Most patients with these diseases have a long history of heavy cigarette smoking.
Endothelin:	Naturally occurring hormone, most powerful vasoconstrictor, triggers constriction of vessels.
Enzyme:	A protein that catalyses a specific reaction. Almost all chemical reactions occurring in uni- and multicellular organisms are catalyzed by enzymes.
Epogen:	Recombinant erythropoietin a; this protein regulates the production of red blood cells and decreases blood transfusion requirements for hemodialysis patients.
Fabry's disease:	Rare hereditary disease in which there is deficient activity of a lipocatabolic →*enzyme*. It leads to organic disorders, in particular to renal failure.
FDA:	Food and Drug Administration. US-authority which regulates market access of new drugs.
GABA:	(Gamma-Aminobutyric Acid) GABA is the major inhibitory neurotransmitter in the mammalian Central Nervous System (CNS). It is of particular importance for the regulation of sedation and anxiety. All state-of the art insomnia-drugs work by activating GABA receptors.

Glossary

Gene therapy: Therapeutic approach that delivers a gene for a product (protein) rather than the product itself.

HIV: (Human Immunodeficiency Virus) The virus that causes ➔*AIDS*.

Hunter's syndrome: Rare hereditary disease in which there is deficient activity of a sugar-catabolising ➔*enzyme*. It leads to mental retardation apparent at an early age.

IPF: (Idiopathic Pulmonary Fibrosis) It is a chronic disease of the lung. Inflammation triggers scarring of the tissue and eventually a decrease of the lung capacity.

Ischaemic complications: Disturbances of blood supply.

Macular degeneration: A disease of the retina resulting from pathological transformation processes and the deposition of breakdown products in the macula lutea – the area where retinal vision is most acute. The condition leads to gradual loss of vision.

Macular edema: Swelling in the region of the macula lutea of the retina caused by excessive permeability of minute blood vessels and possibly leading to deterioration of vision.

Migraine: Mostly one-sided, periodically recurring headaches. They occur as simple migraine without accompanying disturbances of neurological function, or occur as classical migraine with brief accompanying neurological phenomena such as disturbances of sight and speech.

Monoclonal antibodies: Antibodies are proteins that are synthesized by cells of the immune system. Antibodies recognize and bind to specific receptors and target molecules. Monoclonal antibodies are directed against a certain antigen and originate from the same cell. Monoclonal antibodies are produced in cell culture.

Multiple sclerosis: A chronic degenerative neurological disease affecting nerve fibers, by which the myelin sheath, which is necessary for the normal functioning of the nerve fibers, undergoes destruction by a patient's own immune system.

Myeloma: A cancer originating in the bone marrow.

Non-Hodgkin's lymphoma: Malignant cancer of the lymphatic system.

NSAID: (Non-Steroidal Anti-Inflammatory Drug) Long-acting analgesics that inhibit inflammation and thus alleviate pain. Examples include aspirin and ibuprofen.

Oncology/Cancer: Oncology deals with the treatment of malignant tumors and related diseases. Cancer is defined by uncontrolled or inappropriate cell proliferation or division. Migration of cancer cells leads to metastasis. Cancer is the second most common cause of death in the developed world.

Parkinson's disease: Brain disease that leads to symptoms such as speech disturbances, slowing of all movements, mobility disorders and melancholia.

PTCA: (Percutanous Transluminal Coronary Angioplasty) Important procedure for treatment of Coronary artery diseases (CAD). Coronary artery disease is the narrowing or obstruction of the vessels that supply blood and oxygen to the heart muscle. During PTCA, vessels are accessed via a catheter and expanded by dilation using balloons, in more and more cases the expanded vessel is stabilized by insertion of stents.

Glossary

Psoriasis:	Disease of the skin leading to abnormal proliferation of the epidermis and scaling of the skin.
Rheumatoid arthritis:	Systemic →*autoimmune disease* involving the destruction of the lining of the joints resulting in pain, swelling, stiffness, progressive joint destruction and immobilization.
RSV:	(Respiratory Syncytial Virus) major causative agent of serious respiratory infections in prematurely born children or children with underdeveloped lungs or congenital cardiac abnormalities.
Triptan medicines:	Medicines used for the treatment of migraine. As so-called serotonin agonists, they activate specific receptors in the brain to constrict the blood vessels that are dilated during a migraine attack.
VEGF:	Vascular Endothelium Growth Factor. Naturally occurring hormone which triggers growth and sprouting of vessels.
Clinical Trials and the Approval Process are conducted in three Phases:	**Phase I:** "First time in man" trials to determine the safety of a drug, its pharmacokinetics, metabolism, biodistribution and excretion; typically involving 5 to 50 healthy volunteers. **Phase II:** Determination of optimal dosage, safety (and initial indication of efficacy); typically involving 50 to 200 patients. **Phase III:** Statistically relevant determination of safety and efficacy, may also include interaction with other drugs; typically involving 100 to more than 1 000 patients, depending of the therapeutic category. For marketing approval in the US, data from preclinical and clinical testing, and information about the manufacturing process are submitted to the Food and Drug Administration (FDA) in a New Drug Application (NDA) or Biologic License Application (BLA); an FDA advisory panel reviews the submission and gives a recommendation or non-recommendation for approval. The decision regarding marketing approval resides with the FDA, which usually, but not always follows the recommendation of the advising panel. The approval process in Europe is similar, leading agency is the EMEA (European Agency for the evaluation of Medicinal Products).

Consolidated financial statements

Consolidated balance sheet as at December 31 (in thousands of Swiss Francs)

Assets	Notes	2002	2001	Liabilities and shareholders' equity	Notes	2002	2001
Current assets				**Current liabilities**			
Liquid funds		199 597	289 686	Payables to brokers		34 196	34 021
Receivables from brokers		0	4 326	Marketable securities short	5	0	7 637
Marketable securities	4	1 604 462	3 190 210	Other short-term liabilities	6	4 460	8 299
Other assets		40	2	Tax provision	7	153	115
		1 804 099	**3 484 224**			**38 809**	**50 072**
				Shareholders' equity			
				Share capital	8	27 800	27 800
				Treasury shares	8	(2 077)	(1 058)
				Additional paid-in capital	8	1 188 292	1 188 292
				Retained earnings	8	551 275	2 219 118
						1 765 290	**3 434 152**
Total assets		**1 804 099**	**3 484 224**	**Total liabilities and shareholders' equity**		**1 804 099**	**3 484 224**
Net Asset Value per share in CHF		68.63	128.42				

On February 4, 2003 BB BIOTECH AG's Board of Directors authorized these financial statements for issue.

Consolidated statement of income for the year ended December 31 (in thousands of Swiss Francs)

	Notes	2002	2001
Operating income			
Interest income		2 881	3 859
Dividend income		274	0
Other income		282	266
		3 437	**4 125**
Operating expenses			
Losses from marketable securities	4/12	1 536 734	660 702
Interest expense		0	956
Foreign exchange loss net		19 644	8 889
Administrative expenses	9	33 975	119 695
Other expenses	10	4 179	4 768
		1 594 532	**795 010**
Operating loss before tax		**(1 591 095)**	**(790 885)**
Taxes	7	(189)	(77)
Net loss for the year		**(1 591 284)**	**(790 962)**
Loss per share in issue and diluted loss per share in issue in CHF [1]	11	(60.70)	(28.82)

[1] Split of shares 1:10 as at May 18, 2001

Consolidated financial statements

Consolidated statement of changes in equity for the year ended December 31

(in thousands of Swiss Francs)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total
Balances as at January 1, 2000	**24 500**	**(598)**	**656 768**	**2 048 173**	**2 728 843**
Capital increase	3 300		549 540		552 840
Capital increase costs			(17 999)		(17 999)
Trade with treasury shares (incl. balance change)		398		(70 318)	(69 920)
Net gain for the year				1 121 387	1 121 387
Balances as at December 31, 2000	**27 800**	**(200)**	**1 188 309**	**3 099 242**	**4 315 151**
Balances as at January 1, 2001	**27 800**	**(200)**	**1 188 309**	**3 099 242**	**4 315 151**
Capital increase costs			(17)		(17)
Trade with treasury shares (incl. balance change)		(858)		(89 162)	(90 020)
Net loss for the year				(790 962)	(790 962)
Balances as at December 31, 2001	**27 800**	**(1 058)**	**1 188 292**	**2 219 118**	**3 434 152**
Balances as at January 1, 2002	**27 800**	**(1 058)**	**1 188 292**	**2 219 118**	**3 434 152**
Trade with treasury shares (incl. balance change)		(1 019)		(76 559)	(77 578)
Net loss for the year				(1 591 284)	(1 591 284)
Balances as at December 31, 2002	**27 800**	**(2 077)**	**1 188 292**	**551 275**	**1 765 290**

Consolidated statement of cash flow for the year ended December 31 (in thousands of Swiss Francs)

	Notes	2002	2001
Cash flows from operating activities			
Proceeds from sales of securities	4	1 252 991	1 423 237
Purchase of securities	4	(1 211 614)	(971 993)
Trade with treasury shares		(77 578)	(90 020)
Dividends		234	0
Interest receipts		2 884	3 858
Interest payments		0	(956)
Payments for services		(41 713)	(125 068)
Taxes paid	7	(150)	(88)
Total cash from operating activities		**(74 946)**	**238 970**
Cash flows from financing activities			
Receivables from/payables to brokers		4 501	29 619
Capital increase costs		0	(17)
Total cash from financing activities		**4 501**	**29 602**
Foreign exchange difference		(19 644)	(8 889)
(Decrease)/Increase in cash and cash equivalents		**(90 089)**	**259 683**
Cash and cash equivalents at beginning of year		289 686	30 003
Cash and cash equivalents at end of year		**199 597**	**289 686**
Liquid funds		199 597	289 686
Cash and cash equivalents at end of year		**199 597**	**289 686**

Notes to the consolidated financial statements

1. The Company and its principal activity

BB BIOTECH AG (the Company) is listed on the Swiss Stock Exchange, on the "Neuer Markt" in Germany as well as on the "Nuovo Mercato" in Italy and has its registered office in Schaffhausen, Vordergasse 3. Its principal activity is to invest in companies active in the biotechnology industry. The investments are held through its wholly-owned subsidiaries.

Company	Capital in CHF 1 000	Interest in capital in %
BIOTECH FOCUS N.V., Curaçao	11	100
BIOTECH INVEST N.V., Curaçao	11	100
BIOTECH TARGET N.V., Curaçao	11	100
BIOTECH GROWTH N.V., Curaçao	11	100

2. Accounting policies

General

The consolidated financial statements of the Company and its subsidiary companies (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidation is prepared from the audited financial statements of the Group companies using uniform accounting principles. With the exception of financial assets and liabilities, the financial statements are prepared on a historical cost basis.

Basis of consolidation

The consolidated financial statements include the Company and the subsidiary companies, which are controlled by it. Control is defined as ownership, either directly or indirectly, of more than 50% of the voting rights of a company's share capital. The consolidation is performed using the purchase method. All intercompany transactions and balances with companies included in the consolidation are eliminated. All Group companies have a December 31 year-end.

Reporting currency

The accounts of the companies are maintained in Swiss Francs. Transactions in foreign currencies are converted at exchange rates as at transaction dates. Assets and liabilities in foreign currencies at year-end are translated at rates of exchange prevailing as at the balance sheet date. Exchange differences are reflected in the statement of income.

Liquid funds

Liquid funds comprise current accounts and call money at banks.

Receivables/Payables against brokers

Receivables/Payables against brokers result from security transactions and do not bear any interest.

Marketable securities

Securities and derivatives are valued according to IAS 39 and classified as held for trading. Initially securities and derivatives are recognized at cost including transaction costs and are subsequently re-measured at fair value based on quoted bid prices or generally accepted valuation models.

The adoption of IAS 39 did not give rise to any restatement because the accounting policy used so far fulfilled the requirements of IAS 39. As consequence there is no impact on previous financial statements.

Realized gains and losses on security trading are recognized as net realized gains/losses from marketable securities at the day of the transaction. Changes in fair value of securities are recognized as net unrealized gains/losses from marketable securities in the income statement in the period in which they arise.

Capital increase costs

Transaction costs of an equity transaction are accounted for as a deduction from equity.

Taxes

Taxes are calculated based on reported income and include taxes on capital. Such taxes are calculated in accordance with the tax regulations in force in each country.

The Group provides for deferred taxes using the liability method for items reported in different periods for financial statements and income tax purposes. Tax loss carry-forwards are only recorded if there is assurance that future taxable income will be sufficient to allow the benefit of the loss to be realized. Deferred tax balances are adjusted for subsequent changes in tax rates or for new taxes imposed.

Earnings per share
Basic earnings per share are calculated by dividing the net profit/loss attributable to shareholders by the weighted average number of bearer shares in issue during the year, less own shares. For the diluted earnings per share, the weighted average number of bearer shares in issue is adjusted to assume conversion of all dilution potential bearer shares. The potential bearer shares include all bearer shares, which will be issued by exercising warrants or options.

Treasury shares
Own shares are deducted from shareholders' equity. On the other hand a short position of own shares increases shareholders' equity. All profits and losses arising from trading in own shares are directly credited/debited to retained earnings.

3. Changes in companies consolidated

There have been no changes in the Group companies consolidated in comparison to the prior year.

4. Marketable securities (in TCHF)

Marketable securities comprise the following:

Company	Number 12/31/2001	Change to 12/31/2001	Number 12/31/2002	Price in original currency		Valuation CHF mn 12/31/2002	Valuation CHF mn 12/31/2001
Amgen	5 475 000	1 875 000	7 350 000	USD	48.34	493.0	518.6
IDEC Pharmaceuticals	4 432 000	1 143 800	5 575 800	USD	33.17	256.6	512.7
MedImmune	11 106 000	(5 096 000)	6 010 000	USD	27.17	226.6	863.9
Serono	0	124 802	124 802	CHF	741.00	92.5	0.0
Actelion	1 140 000	25 000	1 165 000	CHF	61.00	71.1	88.9
The Medicines Company (TMC)	5 204 837	(2 224 337)	2 980 500	USD	16.02	66.3	101.2
Neurocrine Biosciences	1 343 500	(593 500)	750 000	USD	45.66	47.5	115.7
CV Therapeutics	1 443 147	420 000	1 863 147	USD	18.22	47.1	126.0
Adolor	1 742 500	(177 500)	1 565 000	USD	13.91	30.2	52.5
Shire Pharmaceuticals	0	1 100 000	1 100 000	USD	18.89	28.8	0.0
Ligand Pharmaceuticals	0	2 692 500	2 692 500	USD	5.37	20.1	0.0
Pozen	482 000	2 318 000	2 800 000	USD	5.15	20.0	4.2
Cubist Pharmaceuticals	805 000	315 000	1 120 000	USD	8.23	12.8	48.6
3-Dimensional Pharmaceuticals	3 260 970	(410 487)	2 850 483	USD	3.23	12.8	46.5
Enzon Pharmaceuticals	0	522 500	522 500	USD	16.72	12.1	0.0
Endo Pharmaceuticals	1 087 000	0	1 087 000	USD	7.70	11.6	21.3
Transkaryotic Therapies (TKT)	481 500	218 400	699 900	USD	9.90	9.6	34.6
Serono ADRs	0	500 000	500 000	USD	13.56	9.4	0.0
Cell Therapeutics	920 500	0	920 500	USD	7.27	9.3	37.3
Virologic	3 605 004	0	3 605 004	USD	1.33	6.7	17.5
Durect	2 254 957	0	2 254 957	USD	2.02	6.3	43.9
Regeneron Pharmaceuticals	240 000	0	240 000	USD	18.51	6.2	11.3
Aviron	3 065 000	(3 065 000)	0	USD	0.00	0.0	255.8
ImClone Systems	2 424 361	(2 424 361)	0	USD	0.00	0.0	189.0
Third Wave Technologies	1 173 800	(1 173 800)	0	USD	0.00	0.0	14.5
GenVec	1 271 185	(1 271 185)	0	USD	0.00	0.0	10.6
Titan Pharmaceuticals	325 900	(325 900)	0	USD	0.00	0.0	5.4
Listed shares						**1 496.6**	**3 119.9**
Theravance (formerly Advanced Medicine)	3 111 111	0	3 111 111	USD	8.00	34.5	47.0
EyeTech	1 102 937	1 756 531	2 859 468	USD	7.05	28.0	12.6
Unlisted shares						**62.5**	**59.6**
Total shares						**1 559.1**	**3 179.5**

Notes to the consolidated financial statements

Company	Number 12/31/2001	Change to 12/31/2001	Number 12/31/2002	Price in original currency		Valuation CHF mn 12/31/2002	Valuation CHF mn 12/31/2001
IDEC Zero Bond	0	42 000 000	42 000 000	USD	55.57	32.4	0.0
Virologic Bond Series C Conv. (OTC)	0	2 421 304	2 421 304	USD	82.60	2.7	0.0
Total convertible bonds						**35.1**	**0.0**

Company	Number 12/31/2001	Change to 12/31/2001	Number 12/31/2002	Price in original currency		Valuation CHF mn 12/31/2002	Valuation CHF mn 12/31/2001
Derivative instruments (share, type, strike price, expiration date, conversion ratio)							
The Medicines Company (TMC), Call Option, USD 5.92, 10/19/04, 1:1	675 925	0	675 925	USD	10.74	10.1	7.8
Endo Pharmaceuticals, Call Option, USD 25, 11/09/03, 1:1	1 449 500	0	1 449 500	USD	0.05	0.1	1.9
Virologic, Call Option, USD 2.508, 09/25/06, 1:1	0	438 597	438 597	USD	0.09	0.1	0.0
EyeTech, Call Option, USD 6.8, 07/18/08, 1:1	220 588	351 306	571 894	USD	0.00	0.0	1.1
Virologic, Call Option, USD 5.91, 08/30/03, 1:1	199 705	0	199 705	USD	0.00	0.0	0.0
Total derivative instruments						**10.3**	**10.8**
Total securities						**1 604.5**	**3 190.2**
				USD 1 = CHF		*1.3876*	*1.6782*

The options are valued on the basis of a widely used valuation model at December 31, 2002.

The marketable securities are deposited with Credit Suisse, Zurich, Luzerner Kantonalbank, Lucerne, Dresdner Bank, Frankfurt, as well as Bank am Bellevue, Zurich.

Investment decisions have been delegated to Asset Management BAB N.V., Curaçao.

Change in value by investment category from January 1, 2001 to December 31, 2001 (incl. securities short)

	Listed shares	Unlisted shares	Convertible bonds	Derivative instruments	Total
Opening balance as at 01/01/2001 at fair values	**4 212 510**	**62 443**	**–**	**19 565**	**4 294 518**
Purchases	959 083	12 910	–	–	971 993
Sales	(1 409 113)	–	–	(14 124)	(1 423 237)
Reclassification [1]	20 714	(20 714)	–	–	–
Reclassification [2]	(11 083)	–	–	11 083	–
Realized gains	52 179	–	–	2 411	54 590
Realized losses	(465 355)	–	–	(5 308)	(470 663)
Unrealized gains	151 413	5 261	–	2 958	159 632
Unrealized losses	(390 464)	(323)	–	(13 473)	(404 260)
Net (losses)/gains from marketable securities	(652 227)	4 938	–	(13 412)	(660 701)
Closing balance as at 12/31/2001 at fair values	**3 119 884**	**59 577**	**–**	**3 112**	**3 182 573**

[1] IPO Third Wave Technologies at February 8, 2001 at USD 11.00
[2] Exercise of options short

Change in value by investment category from January 1, 2002 to December 31, 2002 (incl. securities short)

	Listed shares	Unlisted shares	Convertible bonds	Derivative instruments	Total
Opening balance as at 01/01/2002 at fair values	**3 119 884**	**59 577**	**–**	**3 112**	**3 182 573**
Purchases	1 095 842	18 876	71 037	25 859	1 211 614
Sales	(1 175 595)	–	(30 899)	(46 497)	(1 252 991)
Reclassification [1)]	14 100	–	–	(14 100)	–
Reclassification [2)]	(2 925)		2 925		–
Realized gains	31 976	–	758	62 397	95 131
Realized losses	(690 872)	–	–	(20 020)	(710 892)
Unrealized gains	15 386	–	–	2 370	17 756
Unrealized losses	(911 285)	(15 943)	(8 608)	(2 893)	(938 729)
Net (losses)/gains from marketable securities	(1 554 795)	(15 943)	(7 850)	41 854	(1 536 734)
Closing balance as at 12/31/2002 at fair values	**1 496 511**	**62 510**	**35 213**	**10 228**	**1 604 462**

[1)] Exercise of options short MedImmune
[2)] Conversion of Virologic preferred shares into convertible bonds

5. Securities short

Company	Number 12/31/2001	Change to 12/31/2001	Number 12/31/2002	Price in original currency		Valuation CHF mn 12/31/2002	Valuation CHF mn 12/31/2001
Derivative instruments (share, type, strike price, expiration date, conversion ratio)							
Aviron, Call Option, USD 48, 02/27/02, 1:1	(500 000)	500 000	0	USD	0.00	0.0	(4.1)
MedImmune, Call Option, USD 45, 01/25/02, 1:1	(500 000)	500 000	0	USD	0.00	0.0	(2.8)
Cubist Pharmaceuticals, Put Option, USD 29, 02/12/02, 1:1	(500 000)	500 000	0	USD	0.00	0.0	(0.8)
Derivative instruments						**0.0**	**(7.6)**
Total securities short						**0.0**	**(7.6)**

The short options held in the prior year were valued on the basis of a widely used valuation model.

6. Other short-term liabilities (in TCHF)

Other short-term liabilities comprise the following:

	12/31/2002	12/31/2001
Payables to the asset manager	75	75
Payables to the Board of Directors	3 423	5 121
Total liabilities to related parties	**3 498**	**5 196**
Other liabilities	490	752
Accrued expenses	472	2 351
Total liabilities to third parties	**962**	**3 103**
	4 460	**8 299**

Liabilities to related parties represent unpaid fees.

Notes to the consolidated financial statements

7. Taxes

In the current year as well as in the prior year the average effective income tax rate on a consolidated basis was less than 1%. This low rate is mainly attributable to the fact that the biggest part of income was realized by companies situated in Curaçao (offshore-companies). No provisions for deferred taxes are needed.

8. Shareholders' equity

The share capital of the Company consists of 27.8 mn fully paid bearer shares (2001: 27.8 mn) with a par value of CHF 1 each (2001: CHF 1). The shares were split on May 18, 2001 using a ratio of 1:10. Additional paid-in capital result from additional paid-in premiums upon share capital increases less capital increase costs. CHF 5.56 mn of the additional paid-in capital (2001: CHF 5.56 mn) are undistributable.

	Par value per share in CHF	Nominal value of the share capital in TCHF	Bearer shares Number	Treasury shares Number	Out-standing shares Number
January 1, 2001	**10**	**27 800**	**2 780 000**	**20 004**	**2 759 996**
Split of shares 1:10 as at May 18, 2001	(9)	–	25 020 000	180 033	24 839 967
Purchases of treasury shares at an average price of CHF 118.70				4 533 700	(4 533 700)
Sales of treasury shares at an average price of CHF 121.90				(3 676 095)	3 676 095
December 31, 2001	**1**	**27 800**	**27 800 000**	**1 057 642**	**26 742 358**
January 1, 2002	**1**	**27 800**	**27 800 000**	**1 057 642**	**26 742 358**
Purchases of treasury shares at an average price of CHF 79.33				3 241 584	(3 241 584)
Sales of treasury shares at an average price of CHF 80.80				(2 222 323)	2 222 323
December 31, 2002	**1**	**27 800**	**27 800 000**	**2 076 903**	**25 723 097**

Further on there exists an authorized capital of CHF 6.7 mn (2001: CHF 6.7 mn).

9. Administrative expenses (in TCHF)

Administrative expenses comprise the following:

	2002	2001
Fund manager		
– Fixed fees portion	8 045	13 081
– Performance fees	22 790	95 564
Board of Directors remuneration		
– Fixed fees portion	804	1 308
– Performance fees	2 279	9 556
– Social security employer's contribution	56	186
	33 975	**119 695**

The member of the Board of Directors with the highest remuneration earned in 2002 a total of TCHF 1 084 (2001: TCHF 3 807) in cash.

The remuneration model of BB BIOTECH AG ensures that the interests of the shareholders, the asset managers and the Board of Directors are all the same. Remuneration therefore depends on the share price and is made up of a flat fee component and a performance-related fee component. The Board of Directors receives remuneration in an amount of 10% of the remuneration of the fees paid to the manager.

Flat fee component:
This amounts to 0.4% of market capitalization annually and is calculated as at the end of each quarter pro rata temporis on the basis of the closing price of the stocks traded on the Swiss Stock Exchange.

Performance-related fee:
The performance-related fee is calculated quarterly and amounts to 0.19% of the market value at the end of the previous period in the case of an increase in the stock price of 5 to 10% per annum (p.a.), an additional 0.25% in the case of an increase of 10 to 15% p.a., and an additional 0.31% in the case of an increase of 15 to 20% p.a. The price basis or hurdle for the performance-related pay component rises after each quarter with the percent value on which a performance-related pay component was calculated, though by a minimum of 5% p.a. and a maximum of 20% p.a. The hurdles are calculated separately for each group of capital (i.e. the capital increases at different times and prices) from the day of their initial listing.

Because of the minimum/maximum performance and calculation being done over the lifetime, it can occur that the applicable market value at the end of a weak quarter is still above the price basis for a performance-related fee. Conversely, a period with above-average growth in the market value will not result in performance-related pay if the hurdles are not exceeded.

For the end of the next quarter (03/31/2003) the hurdle rates for payment of a performance related fee will be as follows:

– 19.5 mn shares (70.1% of the Company): CHF 86.38
– 4 mn shares (14.4%): CHF 92.49
– 1 mn shares (3.6%): CHF 95.49
– 1.7 mn shares (6.1%): CHF 196.39
– 1.6 mn shares (5.8%): CHF 201.98

10. Other expenses (in TCHF)

Other expenses comprise the following:

	2002	2001
Bank charges	1 158	1 225
Annual General Meeting and financial reporting	1 984	1 981
Other expenses	1 037	1 562
	4 179	**4 768**

11. Earnings per share

	2002	2001
Net loss for the year (in TCHF)	(1 591 284)	(790 962)
Weighted average number of shares in issue [1)]	26 217 504	27 441 723
Loss per share in CHF	**(60.70)**	**(28.82)**

[1)] Split of shares 1:10 as of May 18, 2001

At December 31, 2002 there were no potential issues of bearer shares, which would have a dilution effect.

Notes to the consolidated financial statements

12. Information by geographical area (in TCHF)

The Group has only one business segment, namely the holding of investments in companies active in the biotechnology industry.

The geographical analysis of assets is as follows:

Assets	12/31/2002	12/31/2001
USA	1 513 062	3 394 369
Switzerland	262 204	89 855
Great Britain	28 833	0
	1 804 099	**3 484 224**

Loss from marketable securities	2002	2001
USA	(1 466 911)	(592 225)
Switzerland	(68 013)	(68 263)
Great Britain	(1 809)	0
Canada	0	(214)
	(1 536 734)	**(660 702)**

13. Assets pledged

The securities are a collateral for a credit line of CHF 200 mn (2001: CHF 200 mn and USD 280 mn). At December 31, 2002 the Group has not claimed any credits (2001: none).

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

The Group had no commitments or other off-balance sheet transactions open at December 31, 2002 (2001: none).

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. Management concludes that as at December 31, 2002 no proceedings existed which could have any material effect on the financial position of the Group (2001: none).

15. Financial instruments

Off-balance sheet transactions

Within the framework of the law, articles of incorporation and regulations, the investment management can carry out currency and marketable security forward transactions, buy, sell and make use of options as well as fulfil all necessary obligations that result from these businesses, and especially arrange all necessary security.

Credit risks

The Company maintains business relations only with counterparties with a high credit rating.

Market risk

Risk associated with changing market rates

Due to its business activity and the resulting high portion of marketable securities in relation to total assets, the Company is exposed to fluctuations on the financial and foreign exchange markets. No hedging is made to cover positions in foreign currency.

The Company participates partially, but to a substantial extent, in the capital of its investments. In the case of sales of large parts of these investments, its influence of the market price is possible.

Interest risk

Interest rates on liquid funds are based on market rates. The funds are due at sight.

Short-term borrowings from banks are on current and short-term loan accounts with interest based at market rates. Due to the high level of own funds the effect of interest payable on the statement of income is insignificant.

Fair values
As at December 31, 2002 and December 31, 2001 the values in the balance sheet of liquid funds, other receivables, short-term borrowings from banks, other short-term liabilities and the tax provision correspond to fair values because of their short-term maturity.
The values of marketable securities also correspond to their fair values. Details about valuation are shown in the accounting policies as well as in note 4.

Diversification
The strategy of BB BIOTECH AG according to the investment guidelines should normally entail no more than five to eight core investments, which account for approx. two thirds of the entire portfolio. Besides that, different investments may be taken.

As per December 31, 2002 the Company held three core investments, representing 57% of the portfolio. The portfolio is – in line with the strategy – concentrated on a limited number of investments. Risk diversification is therefore bounded.

16. Related party transactions

Transactions with related parties and companies are recorded on an arm's-length basis under normal market conditions.

During the third quarter BB BIOTECH AG placed an offer, which was approved by the Board of Directors, to buy shares and options of Eye-Tech and Pozen from BB MEDTECH AG. The transaction took place on September 30, 2002. The transaction value for Pozen shares represents the average price of the two previous months. The transaction value for EyeTech shares and options is equal to the value of the last financing round dated August 19, 2002.

17. Subsequent events

There have been no events subsequent to December 31, 2002, which would affect the financial statements 2002.

Report of the group auditors

Report of the group auditors
to the General Meeting of
BB BIOTECH AG
Schaffhausen

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, statement of cash flows and notes/pages 24 to 33) of BB BIOTECH AG for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and the accounting provisions as contained in the Additional Rules for the Listing of Investment Companies of the Swiss Exchange (SWX).

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Matthias von Moos Markus Schmid

Zug, February 5, 2003

Financial statements BB BIOTECH AG

Balance sheet as at December 31 (in Swiss Francs)

Assets	2002	2001	Liabilities and shareholders' equit	Notes	2002	2001
Current assets			**Current liabilities**			
Liquid funds	455 737	933 379	Other current liabilities			
Other receivables			– Third parties	2.1	33 313	6 833 943
– Third parties	405	2 194	– Group companies	2.1	0	5 579 101
– Group companies	61 878 627	63 740 549	– Related parties	2.1	3 498 140	0
			Provisions		589 136	1 270 821
	62 334 769	**64 676 122**			**4 120 589**	**13 683 865**
Fixed assets			**Shareholders' equity**			
Financial fixed assets			Share capital		27 800 000	27 800 000
– Investments	1 177 069 500	1 177 069 500	Legal reserves			
Intangible fixed assets			– General reserve		5 560 000	554 439 786
– Capital increase costs	0	6 144 118	– Reserve for own shares		133 728 672	128 039 502
			Other reserves		1 076 802 382	533 611 766
			Accumulated deficit	3	(8 607 374)	(9 685 179)
	1 177 069 500	**1 183 213 618**			**1 235 283 680**	**1 234 205 875**
Total assets	**1 239 404 269**	**1 247 889 740**	**Total liabilities and shareholders' equity**		**1 239 404 269**	**1 247 889 740**

Statement of income for the year ended December 31 (in Swiss Francs)

	2002	2001
Operating income		
Interest income	1 668 338	574 876
Other income	11 532 593	23 049 407
	13 200 931	**23 624 283**
Operating expenses		
Administrative expenses	3 140 303	11 050 556
Interest expense	963	129 237
Depreciation	6 144 118	8 999 688
Other expenses	2 710 704	3 054 865
	11 996 088	**23 234 346**
Operating income before tax	**1 204 843**	**389 937**
Taxes	(127 038)	(77 352)
Net income for the year	**1 077 805**	**312 585**

Notes to the financial statements

1. Notes in accordance with Article 663b of the Swiss Code of Obligations

1.1 Guarantee

BB BIOTECH AG has provided a guarantee of CHF 200 mn to a bank relating to a credit line granted to its subsidiaries (2001: CHF 200 mn and USD 280 mn). No credits are claimed at December 31, 2002 (2001: none).

1.2 Significant investments

Company	Capital in CHF 1 000	Interest in capital in %
BIOTECH FOCUS N.V., Curaçao	11	100
BIOTECH INVEST N.V., Curaçao	11	100
BIOTECH TARGET N.V., Curaçao	11	100
BIOTECH GROWTH N.V., Curaçao	11	100

The above mentioned companies hold shares in companies active in the biotechnology industry.

1.3 Own shares

	Amount of shares
Balance at January 1, 2002	1 057 642
Purchases at an average price of CHF 79.33	3 241 584
Sales at an average price of CHF 80.80	(2 222 323)
Balance at December 31, 2002	**2 076 903**

The own shares are held indirectly by BB BIOTECH AG Schaffhausen.

1.4 Capital increase

	12/31/2002 CHF	12/31/2001 CHF
Authorized capital	6 700 000	6 700 000

The Board of Directors was authorized at the General Meeting of shareholders on April 30, 2002 to increase the share capital until April 30, 2004 by CHF 6.7 mn at most.

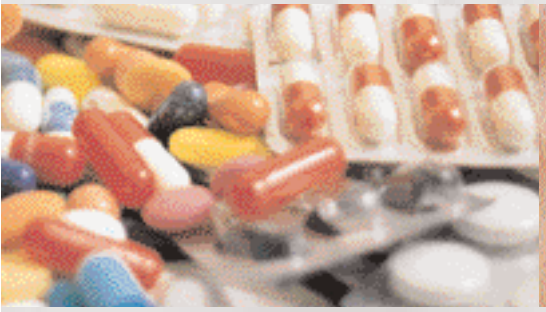
2. Other information

2.1 Departure from consistency principle

In the financial statements 2002 the liabilities to the asset manager and the Board of Directors are disclosed as liabilities to related parties. In previous years these were included in liabilities to third parties.

3. Movements on retained earnings (in Swiss Francs)

	2002	2001
Accumulated deficit at the beginning of the year	(9 685 179)	(9 997 764)
Net income for the year	1 077 805	312 585
Accumulated deficit at the end of the year	**(8 607 374)**	**(9 685 179)**



Report of the statutory auditors

Report of the statutory auditors
to the General Meeting of
BB BIOTECH AG
Schaffhausen

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 35 and 36) of BB BIOTECH AG for the year ended December 31, 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Matthias von Moos Markus Schmid

Zug, February 5, 2003

Information on corporate governance

The following chapter is intended to supplement the Annual Report with information on corporate governance. As our organization is listed on the Swiss, German and Italian stock exchanges, we wish to be in compliance with the rules and regulations that apply to each of these markets. A great deal of the required information has already been supplied in past sections of the Annual Report or is available for download from the Internet. In such cases we allow us refer to the relevant pages in this report or to our website, www.bbbiotech.com.

1. Group structure and shareholdership

Please refer to the note 1 of the consolidated annual financial statements, in supplementation whereof we wish to advise that the Board of Directors is not aware of any cross-holdings with other companies exceeding a limit of 5% in terms of capital or the number of votes.

2. Capital structure

Please refer to the notes to the consolidated annual financial statements and "Shareholder information" at page 41.

3. Board of Directors

3.1 Members, first election, nationality and stock holding

Dr. Ernst Thomke, Chairman (1993), Switzerland. Chairman of Metalor Technologies, BB MEDTECH, Nobel Biocare. 21 500 shares (dito as at 12/31/2001).
Dr. Victor Bischoff, Vice-Chairman (1993), Switzerland. CEO Sandoz-Foundation, Board Member CITCO. 10 000 shares (dito as at 12/31/2001).
Prof. Dr. David Baltimore (1993), USA. President of the California Institute of Technology, Nobel laureate. No shares.

The Board members have no executive functions, neither today nor in the last three years. Detailed resumes available from our website ("About us").

3.2 Term of office/Limitations on tenure

The Board of Directors is elected for a term of office of one year. There are no limitations on its tenure.

3.3 Internal organization

President, Vice-President and members, no committees.
As a rule, the Board of Directors meets weekly via video or telephone conference; in addition, two strategy (field research) weeks are organized each year. These meetings are attended by representatives of the asset manager commissioned. See also "investment focus and selection", page 6.

3.4 Director's Dealing

As a rule, BB BIOTECH publishes each purchase/sale of BB BIOTECH AG stocks by members of the Board of Directors, of the management team as well as by first-degree relatives of such persons and which exceeds the amount of EUR 25 000 within three trading days. This information is made available for 30 days on our website ("About us").

4. Asset Management

Being a pure holding company, BB BIOTECH AG does not have a management of its own. Fundamental analyses, portfolio management, marketing and administration are performed by the Bellevue Asset Management Group in line with its mandate ratio. The Bellevue Asset Management Group is remunerated solely in terms of the management fee.

Detailed information on this mandate (issuing prospectus) and the members of the management involved is available from the website.

5. Remuneration

See note 9 of the consolidated financial statements for details relating to remuneration.

Information on corporate governance

6. Stockholders' rights of cooperation

6.1 Limitations to voting rights; voting by proxy

There are no limitations to voting rights and no internal rules at variance from the statutory provisions concerning attendance of a general meeting.

6.2 General meeting

There are no rules relating to the presence of a quorum for voting purposes which differ from the statutory provisions. The rules of procedure adopted at general meetings shall be in accordance with those laid down by law.

6.3 Dividend policy

As a rule, capital gains and earnings are retained by BB BIOTECH to enable the Company to continue investing in promising enterprises. Until further notice, the general meeting is requested to accept the proposal to dispense with payment of a dividend.

7. Change of control and defensive measures

7.1 Obligatory offer for sale

An opting-out rule is in place.

7.2 Change of control clauses

No change of control clauses are in place in favor of the Board of Directors and the Management team.

8. Audits

8.1 Duration of mandate and term in office of the auditor-in-chief

Since fiscal 1996 PricewaterhouseCoopers AG have been the official auditors and group auditors of BB BIOTECH AG.

The lead auditor has been responsible for auditing the company's books since fiscal 1996.

8.2 Fees

The following fees for professional services in the year ended December 31, 2002 were invoiced using an accruals basis:

Audit fees (including interim audits) PricewaterhouseCoopers:	CHF	182 917

8.3 Bodies of supervision and control vis-à-vis the auditors

The Asset Manager and the auditors are continually in contact with each other. The auditor is consulted by the Board of Directors where necessary.

9. Information policy/diary of company events

Please refer to "Shareholders information" at page 41.

10. Trading in own stocks

BB BIOTECH operates as an active purchaser/seller of own stocks itself on the market, securing additional liquidity in the process. Preference is given to purchasing the stocks at a discount and reselling them later subject to a premium. BB BIOTECH's maximum holding of own stocks is 10%.

Shareholder information

Company profile

BB BIOTECH acquires holdings in companies in the biotechnology growth market and is currently one of the world's largest investors in the sector. The focus of the holdings is on quoted companies that are concentrating on the development and marketing of innovative medicines. For the selection of holdings, BB BIOTECH relies on fundamental analysis by physicians and molecular biologists. The Board of Directors has many years of industrial and scientific experience.

Official listing and share structure

Foundation:	November 9, 1993; Schaffhausen, Switzerland
Issue price adj. November 15, 1993:	CHF 23.76
Official listing:	December 27, 1993 on the Swiss Stock Exchange December 10, 1997 on the German Stock Exchange, as of 2003 in the Prime Standard Segment October 19, 2000 on the "Nuovo Mercato" in Italy
Share structure:	CHF 27.8 mn nominal, 27 800 000 bearer shares with a par value of CHF 1
Authorized capital:	CHF 6.7 mn
Conditional capital:	none
Shareholders, free float:	Institutional and private investors, free float 100%
Security number Switzerland:	144.158
Security number in Germany and Italy:	888 509
ISIN:	CH0001441580

Shareholder information

- The Company publishes its Net Asset Value via the major stock market information services (Reuters, Bloomberg, the Swiss financial news agency AWP, the German news service VWD) and on its website www.bbbiotech.com.
- The portfolio composition is published every three months within quarterly reports.
- In its Monthly News, BB BIOTECH announces major events relating to its investments.
- In addition, we periodically hold information events for shareholders and interested members of the public.
- Interested? Subscribe to our mailing list by post/fax/telephone or via www.bbbiotech.com.

Quotes and reports

NAV:	**in CHF**	– Bloomberg: BIO SW Equity NAV, BABB	**in EUR**	– Bloomberg: BBZ GR Equity NAV; BABB
		– Datastream: S:BINA		– Datastream: D:BBNA
		– Finanz & Wirtschaft (CH): listed twice weekly		– Reuters: BABB
		– Reuters: BABB		
		– Telekurs: BIO resp. 85, BB1 (Investdata)		
Stock price:	**in CHF (SWX)**	– Bloomberg: BIO SW Equity	**in EUR (NM)**	– Bloomberg: BBZ GR Equity
		– Datastream: S:BIO		– Datastream: D:BBZ
		– Reuters: BIOZ.S		– Reuters: BIOZ.F
		– Telekurs: BIO	**in EUR (IM)**	– Bloomberg: BBA IM Equity
				– Datastream: I:BBB
				– Reuters: BB.MI

Corporate calendar 2003

DVFA Analyst Conference:	March 26, 2003, 1.30 PM CET
3 Month Report:	April 24, 2003, 07.30 AM CET
Annual General Meeting:	April 25, 2003, 4.00 PM, Casino, Artherstrasse 2–4, 6300 Zug/CH
BB BIOTECH-Information Days:	May 19 to May 27, 2003 (Details see at www.bbbiotech.com)
Interim Report:	August 7, 2003, 07.30 AM CET
9 Month Report:	October, 23, 2003, 07.30 AM CET
Prel. Report & Portfolio 2003:	January 29, 2004, 07.30 AM CET
Annual Report 2003:	March 11, 2004, 07.30 AM CET

Contact for investors and media

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BBBIOTECH

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