BBBIOTECH

Annual Report 2008

Commitment to performance

Concept: Bellevue Asset Management AG, Küsnacht
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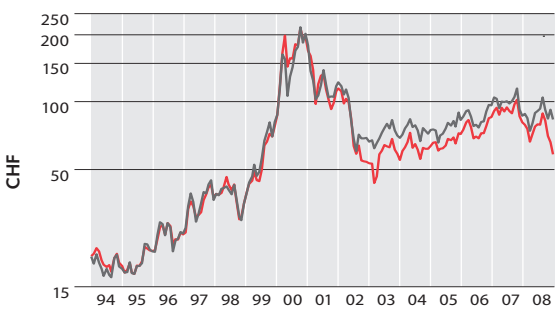
Five good reasons

- Strong growth driven by innovative, high-margin new therapies
- Attractive valuations for fast growing companies
- Long-term track record of 15 years with proven double-digit performance
- Long-term outperformance to industry benchmarks
- Experienced management with strong Board of Directors

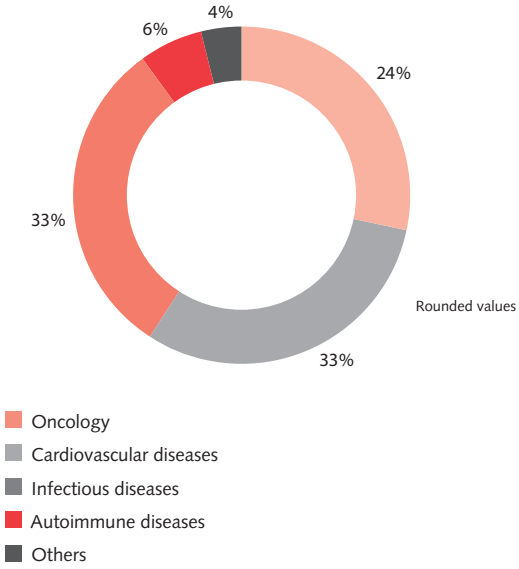
SHARE PRICE TREND SINCE FOUNDATION



BB BIOTECH **BB BIOTECH net asset value**

Source: Datastream, 12/31/2008

PORTFOLIO BY SECTORS AS AT 12/31/2008



PERFORMANCE (adjusted for dividends)

As at 12/31/2008	1Y	3Y	5Y	11/15/1993
Switzerland	–19%	–10%	+24%	+227%
Germany	–10%	–6%	+29%	N.A.
Italy	–14%	–10%	+23%	N.A.

MULTI-YEAR COMPARISON BB BIOTECH

	2008	2007	2006	2005	2004
Market capitalization at the end of the year (in CHF mn)	1 392.2	1 924.9	2 241.8	2 068.9	1 796.4
Net Asset Value at the end of the year (in CHF mn)	1 505.2	1 767.2	2 252.9	2 279.9	1 914.4
Number of shares (in mn)	20.3	22.5	23.9	25.7	25.7
Trading volume (in CHF mn p.a.)	1 640.4	3 326.8	1 972.2	1 919.6	1 853.0
Profit/(loss) (in CHF mn)	45.4	(265.4)	297.4	318.0	202.8
Closing price at the end of the year in CHF	68.75	85.55	93.80	80.50	69.90
Closing price (D) at the end of the year in EUR	45.88	51.35	57.73	51.64	44.51
Closing price (I) at the end of the year in EUR	44.19	51.71	57.64	51.58	45.05
Stock performance (incl. dividend)	(18.7%)	(6.8%)	19.1%	19.5%	14.6%
High / low share price in CHF	94.00/59.80	107.00/83.85	93.80/71.20	82.35/64.70	79.80/58.70
High / low share price in EUR	58.8/58.84	64.19/50.31	58.00/45.71	53.00/41.51	51.20/37.90
Premium/(discount) (annual average)	(14.2)	(7.5%)	(10.3%)	(12.7%)	(15.2%)
Dividend in CHF (*proposal)	1.80	0.90	2.00	1.80	2.40
Closing price 3.5% Convertible Bond at the end of the year	87.01%	106.1%	110.0%	N.A.	N.A.
Degree of investment (quarterly figures)	110.3%	116.0%	110.8%	98.8%	97.8%
Total Expense Ratio (TER) p.a.	0.83%	1.61%	0.71%	0.64%	0.63%
– of which Performance-related remuneration	0.00%	0.85%	0.00%	0.00%	0.00%

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Dear Shareholders

David Baltimore, Clive Meanwell, Thomas Szucs

During 2008, the holdings of BB BIOTECH achieved strong performance, both operationally as well as in terms of stock performance. As a result, BB BIOTECH's Net Asset Value (NAV) increased by 5% in CHF and 16% in EUR, respectively (incl. dividends). BB BIOTECH strongly outperformed its benchmarks, both in the context of the overall stock market performance and in the context of biotech industry. During 2008, BB BIOTECH's NAV outperformed the Nasdaq Biotech Index (NBI), the most widely used benchmark of the industry, by 22.7% (incl. dividends). Since inception in 1993, BB BIOTECH's NAV achieved a total performance of 508.6% (in USD, incl. dividends), which compares very favorably to the performance of 259.4% of the NBI during that time period. Comparisons to other industry benchmarks are also favorable for BB BIOTECH.

The vast majority of our core holdings achieved impressive performance. Our core holding Vertex Pharmaceuticals reported additional strong clinical results with its key product Telaprevir, which we expect to become a cornerstone in the treatment of Hepatitis C. Supported by the strong clinical data, the share price of Vertex increased by 30.8% during 2008.

During the second half of the year, numerous acquisitions of biotech companies took place. Most importantly, Roche announced its intention to acquire the 44% of Genentech shares that it does not own for USD 47.3 bn. Although the offer is still not supported by the independent directors of Genentech, we continue to expect the transaction to be consummated. Two of our European biotech companies were acquired as well. Our Germany-based holding Jerini was acquired by Shire and our UK-based holding Acambis was acquired by Sanofi, both with significant premiums.

Celgene continued to execute the launch of its key product Revlimid successfully and achieved strong results both in terms of revenues and in terms of profits. Celgene's share price appreciated 19.6% during 2008.

Our core holding Actelion continued to achieve impressive growth with its key product Tracleer, which remains a cornerstone of therapy in Pulmonary Arterial Hypertension (PAH). In July, Actelion closed a significant partnership with GlaxoSmithKline for the development of its important pipeline product Almorexant, which has the potential to improve the treatment of insomnia substantially. In September, Actelion became a member of the SMI index, the most important index for equities in Switzerland. Immediately after the inclusion, Actelion became the best performing stock in the SMI index, with an increase of its share price of 14% in 2008.

On the negative side, our holding Elan presented ambiguous results from a Phase II trial of its antibody Bapineuzumab for the treatment of Alzheimer's disease. However, we are still confident that medical breakthroughs for the treatment of Alzheimer's disease will be achieved in the coming years.

During 2008, we invested again in Basilea Pharmaceutica, after we had sold the position in 2007 at significantly higher prices. In between, Basilea had suffered a setback when the approval of its key drug Ceftobiprol was delayed in the US. We still believe in the long-term potential of the drug, because of the increasing unmet need for infections which are resistant to today's medications.

At the end of 2008, BB BIOTECH's share price closed at CHF 68.75, down 18.7%, and EUR 45.88, down 9.6%, respectively. Despite the decline of the share price, BB BIOTECH was still the second best performing stock in the TecDAX, the index of the German stock exchange covering technology stocks. In December 2008, BB BIOTECH was included in the Dow Jones STOXX 600 index.

The discount – the difference between the share price and the Net Asset Value of BB BIOTECH – increased to 25.4% (in CHF) at the end of the year, due to weak conditions of general markets. BB BIOTECH continued its share buy back program and cancelled 2.25 mn shares. Consistent with the dividend model we introduced in 2004, the Board of Directors will propose at the annual shareholders' meeting to pay a dividend of CHF 1.80.

For the coming year, we expect a number of new highly efficacious drugs to emerge from our portfolio companies, e.g. Actelion's new drug Almorexant for the treatment of insomnia. Concomitantly, valuation parameters of biotech companies have decreased to unprecedented and very attractive levels. The combination of new products and continuing strong growth of revenues and profits makes us very optimistic for the coming year.

We thank you for your support in 2008.

The Board of Directors of BB BIOTECH AG

Prof. Dr. med. Thomas Szucs, Chairman

Prof. Dr. David Baltimore

Dr. Clive Meanwell

Commitment to performance

The investment company BB BIOTECH focuses on participations in listed, high-growth, profitable biotechnology companies. Most of our participations are already successful on the market or have promising products in Phase III. Our financial involvement gives promising smaller companies the capital they need to advance their research projects – and targets a doubling of BB BIOTECH's share price in a four-year period. We interact with management to discuss corporate strategy and the research pipeline. This process of dialog identifies the potential involved. Apart from the overall economic situation, the ultimate success of an investment company stands and falls with the performance of the Board of Directors and the management team. BB BIOTECH is backed by an experienced team with interdisciplinary skills.

Alongside expertise, attitude is the main factor that determines success. Intermanagement cooperation works only if day to day working life is inspired by a passion for the job. The academic know-how, long experience and passion for all aspects of medicine, biochemistry and economics shared by all team members generate a stimulating interdisciplinary exchange of thoughts within the team as well as with external partners such as doctors, scientists and research analysts. The detailed financial models of BB BIOTECH and the focus on the biotech sector form the basis for sustainable above-average performance.

54 years spent studying biochemistry, medicine and economics

1 Nobel Prize winner

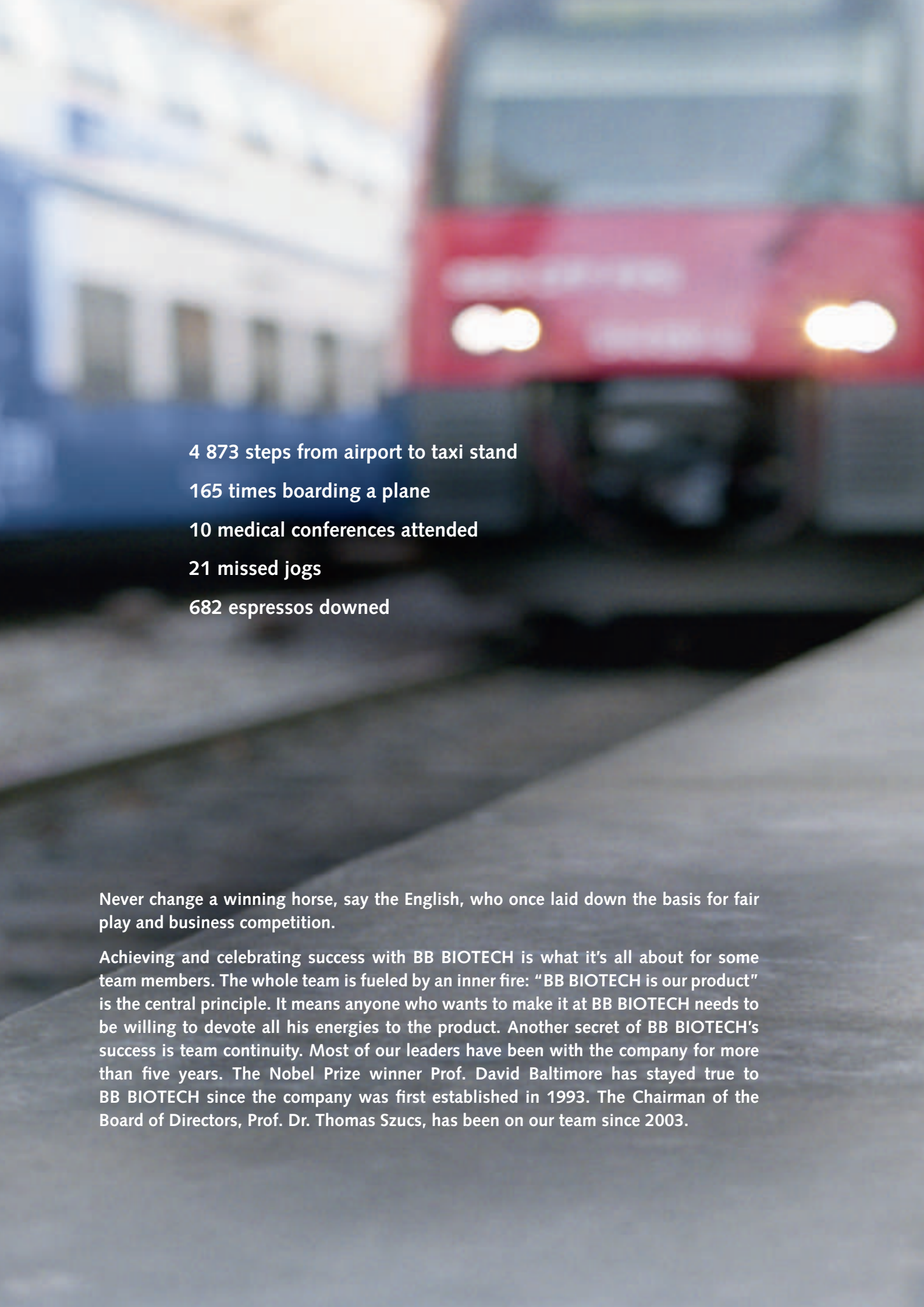
34 interdisciplinary debates

73 major differences of opinion settled

7 different nationalities on the team

A really effective team is made up of people on the same wavelength. People with complementary expertise and personalities, but pulling in the same direction because they have the same goal. Interdisciplinary expert debates on the Board of Directors and management team demand clear and objective priority-setting. The leadership experience of the Board of Directors is paramount.

They share a background of academic achievement and hands-on success in the industry. Furthermore, we have built up a global network of contacts with hospitals, research scientists and patent lawyers. The amassed interpersonal and knowledge management expertise gives a decision-making competence that combines all the strands and builds up strength in unity. And has done so since BB BIOTECH was founded in 1993.



4 873 steps from airport to taxi stand

165 times boarding a plane

10 medical conferences attended

21 missed jogs

682 espressos downed

Never change a winning horse, say the English, who once laid down the basis for fair play and business competition.

Achieving and celebrating success with BB BIOTECH is what it's all about for some team members. The whole team is fueled by an inner fire: "BB BIOTECH is our product" is the central principle. It means anyone who wants to make it at BB BIOTECH needs to be willing to devote all his energies to the product. Another secret of BB BIOTECH's success is team continuity. Most of our leaders have been with the company for more than five years. The Nobel Prize winner Prof. David Baltimore has stayed true to BB BIOTECH since the company was first established in 1993. The Chairman of the Board of Directors, Prof. Dr. Thomas Szucs, has been on our team since 2003.


BIOTECH


543 research papers studied
161 times financial models adjusted
372 ad-hoc communications read
658 calls to biotech companies
3 187 hours spent watching stock-market screens
TECH

Fundamental analysis is hard work. It challenges the team's knowledge, analytical abilities and skill in fitting the pieces of the jigsaw puzzle together. The BB BIOTECH team analyses about 300 companies and compiles about 100 detailed financial models that form the basis for investment decisions. Most of the figures are based on discussion with the company and leading experts in the various therapeutic indications.

Rigorous fundamental analysis generates questions and identifies any contradictions and missing information. We get to grips with a company's products and projects, see opportunities and threats, identify trends and draw up forecasts. We anticipate the future. We ask questions about product characteristics, clinical development plans and management quality. We conduct interviews with doctors in the USA and Europe so that we can benefit from their clinical experience with the new products.

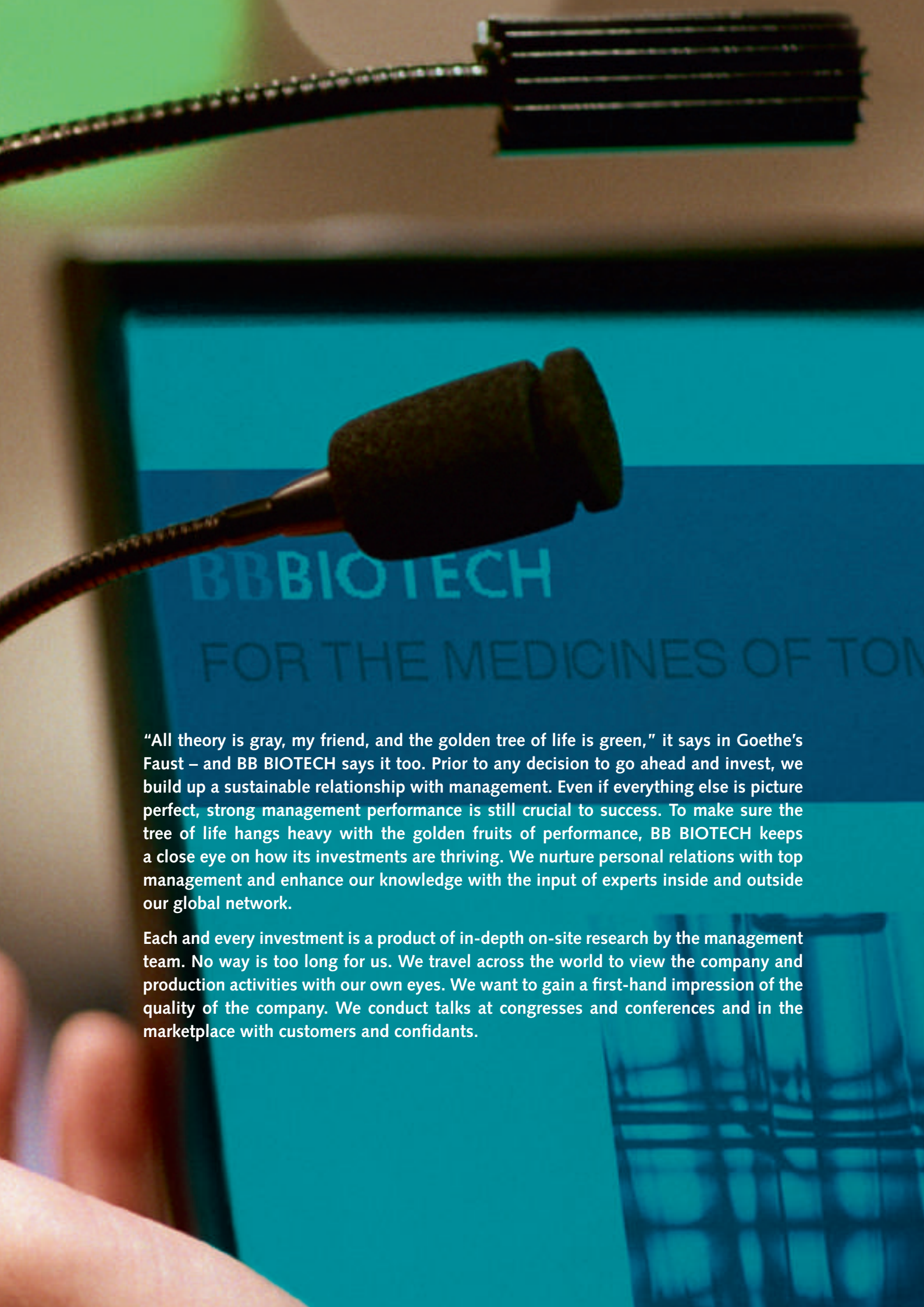
57 presentations

29 handshakes and talks

New York JFK: 2 230 steps to the transit lounge

Investor conference San Francisco: 2 kilos of conference papers annotated

23 questions to Actelion management asked in one hour



"All theory is gray, my friend, and the golden tree of life is green," it says in Goethe's Faust – and BB BIOTECH says it too. Prior to any decision to go ahead and invest, we build up a sustainable relationship with management. Even if everything else is picture perfect, strong management performance is still crucial to success. To make sure the tree of life hangs heavy with the golden fruits of performance, BB BIOTECH keeps a close eye on how its investments are thriving. We nurture personal relations with top management and enhance our knowledge with the input of experts inside and outside our global network.

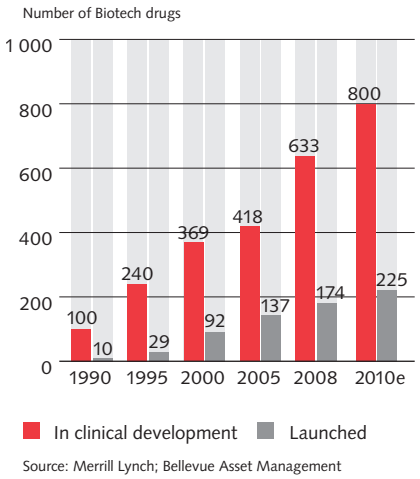
Each and every investment is a product of in-depth on-site research by the management team. No way is too long for us. We travel across the world to view the company and production activities with our own eyes. We want to gain a first-hand impression of the quality of the company. We conduct talks at congresses and conferences and in the marketplace with customers and confidants.

For years, the biotech industry has demonstrated strong innovative power and strong growth momentum. What began a mere 30 years ago, has grown into a successful industry. Biotechnology is translating the discoveries achieved by research activities like the Human Genome Project to therapeutic regimens that promise relief and hope for many patients with serious diseases.

Biotech companies like Actelion or Gilead have transformed previously deadly diseases to chronic conditions. Actelion for example is the leading company for drugs for treatment of Pulmonary Arterial Hypertension, a rare disease which until 2001 used to be fatal for the patients within a timeframe of a few years. Thanks to Actelion's innovations, in particular Actelion's blockbuster drug Tracleer, many patients can be stabilized at an early stage of the disease, enabling these patients to continue their daily life while suffering almost no handicaps. Similarly, Gilead's once-a-day drug Atripla improved the therapy of HIV to a chronic treatment for most of the patients, with very limited daily medicine burden for the patients. Celgene's powerful and convenient drug Revlimid presented a means for many patients suffering from hematological cancers to control the disease without having to endure arduous procedures.

The biotech industry has not only matured regarding powerful drugs for the benefit of patients, it has also provided growth and prosperity of the biotech companies themselves. Around the product-oriented biotech companies, a network of companies has evolved which provides a financial, legal and service infrastructure for the biotech companies. BB BIOTECH, as an example, provides young promising biotech companies with the financial resources to develop and market their products on their own, without being forced to engage in unfavorable licensing deals with bigger companies at an early stage. Once the products are launched on a global scale, the drug company and BB BIOTECH with its shareholders benefit from the commercial success of the new medications.

Biotechnology is the innovation engine



Source: Merrill Lynch; Bellevue Asset Management

Looking forward, we expect significant progress in most of the important therapeutic areas. In particular, we expect medical breakthroughs on the area of infectious diseases, like Hepatitis C and difficult to treat bacterial infections. BB BIOTECH is involved on both areas with its investments in Vertex Pharmaceuticals, Basilea Pharmaceutica, and Optimer Pharmaceuticals. We expect continued progress for the treatment of cancer, e. g. by the extended use of Celgene's Revlimid for solid tumors.

Modern biotechnology will enable substantially improved therapies for common diseases like insomnia. The appeal of the new therapies is the high selectivity for the physiological targets. Thanks to the knowledge generated by basic research, modern drugs can be tailored to change therapy at the cause of the disease, instead of only relieving the symptoms of a disease, which increases the efficacy of the drugs while minimizing the side effects at the same time.

We expect cost pressure from governments and insurance companies on drug prices to continue, if not to intensify, resulting in limited total growth of global pharmaceutical sales. However, we expect societies to continue to provide rewards for innovations which save lives and improve the quality of life for patients substantially. Biotech products will continue to achieve healthy growth rates and healthy margins. We expect the biggest part of the funding of the new innovative biotech drugs to be provided by the enormous release of funds due to patent expirations of mature products from the pharmaceutical industry.

We expect the consolidation of the industry to continue. Many early stage companies without strong business models will face challenges to find continued financing. Many companies, at all stages, will be acquired by bigger companies, in most case by pharmaceutical companies looking desperately for new products.

INVESTMENT STRATEGY

BB BIOTECH's objective is to generate an average return of 15% per annum with a long-term investment horizon and to substantially outperform the relevant indices in the process.

BB BIOTECH participates selectively in firms operating in the growth market of innovative medications and diagnostics based on modern biotechnology, with companies listed in the stock markets accounting for at least 90% of the portfolio value.

Our task is to have an in-depth knowledge of business conducted by our holdings, i. e. in addition to purely key financial ratios, we also analyse competitive environment, the innovation pipeline, the portfolio of patents and the perception of products and services by end-customers, to name but a few further aspects. In the process, we assign a great deal of importance to in-depth expertise.

The target portfolio of BB BIOTECH consists of approximately 20 to 30 holdings, no more than five of which account for more than 10% of equity and the largest of which should not exceed 25%. In the process, we deliberately decline to choose a portfolio structure of statistical relevance as we attach importance to the depth of sector and company expertise and seek personal access to the management of our equity interests.

In the course of selecting its holdings, BB BIOTECH relies on the well established experience of its Board of Directors and the fundamental analyses by the experienced management team of Bellevue Asset Management AG, with access to a network of physicians and specialists for the sectors in question. In doing so, a detailed financial model is created for each holding, which guarantees a compelling illustration of the potential for doubling asset values in a period of four years. This potential is based on the power for innovation, new products for serious or significant illnesses and outstanding management.

Before making a positive investment decision, intensive contact is established with the target company's management, since we are convinced that an outstanding performance can only be achieved with a strong management. After being incorporated into BB BIOTECH's portfolio, intense personal contact with members of the management of the relevant holdings is maintained and extended.

This closely knit monitoring of the portfolio companies enables BB BIOTECH to utilize all strategic options on a timely basis, including the early disposal of an equity interest when the fundamental situation deteriorates significantly.

Participations as at December 31, 2008

Company	Number of securities	Change since 12/31/2007	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Actelion	8 577 664	(1 837 336)	CHF	59.40	509.5	32.1%	33.9%	6.9%
Gilead	6 003 618	301 400	USD	51.14	328.5	20.7%	21.8%	0.7%
Celgene	4 364 439	(744 900)	USD	55.28	258.1	16.3%	17.2%	1.0%
Vertex Pharmaceuticals	5 000 000	–	USD	30.38	162.5	10.2%	10.8%	3.3%
Genentech	1 104 436	(2 088 100)	USD	82.91	98.0	6.2%	6.5%	0.1%
Biogen Idec	1 711 200	(386 235)	USD	47.63	87.2	5.5%	5.8%	0.6%
Basilea Pharmaceutica	186 137	186 137	CHF	148.90	27.7	1.7%	1.8%	1.9%
Roche Holding GS	150 000	(198 710)	CHF	162.50	24.4	1.5%	1.6%	<0.1%
Arena Pharmaceuticals	3 339 430	2 339 430	USD	4.17	14.9	0.9%	1.0%	4.5%
Optimer Pharmaceuticals	1 027 539	327 539	USD	12.11	13.3	0.8%	0.9%	3.5%
Zymogenetics	4 000 000	200 000	USD	3.00	12.8	0.8%	0.9%	5.8%
NicOx	1 000 000	–	EUR	7.76	11.6	0.7%	0.8%	2.1%
Elan	1 500 000	(3 535 300)	USD	6.00	9.6	0.6%	0.6%	0.3%
The Medicines Company	587 100	(880 300)	USD	14.73	9.3	0.6%	0.6%	1.1%
Affymetrix	2 000 000	–	USD	2.99	6.4	0.4%	0.4%	2.8%
Incyte	947 166	–	USD	3.79	3.8	0.2%	0.3%	1.0%
Rigel Pharmaceuticals	370 000	–	USD	8.00	3.2	0.2%	0.2%	1.0%
BioXell	487 194	–	CHF	6.24	3.0	0.2%	0.2%	9.1%
Epigenomics	945 000	–	EUR	2.00	2.8	0.2%	0.2%	3.5%
Keryx Biopharmaceuticals	939 311	–	USD	0.22	0.2	<0.1%	<0.1%	2.1%
Total					**1 586.9**	**100.0%**	**105.5%**	
Derivative instruments								
Gilead call option (long)	(400 000)	(400 000)	USD	2.28	(1.0)	(0.1%)	(0.1%)	
SWAP agreement on treasury shares	1	–	CHF		1.4	0.1%	0.1%	
Total securities					**1 587.3**	**100.0%**	**105.5%**	
Liquid funds (net)					12.5		0.8%	
Other assets					18.4		1.2%	
Other payables					(113.4)		(7.5%)	
Total					**1 504.8**		**100.0%**	
BB BIOTECH registered shares [1)]	3 922 417	1 293 569			269.3			19.4%
Total					**1 774.1**			

1) Correspond to the total of all own shares held in Switzerland, Germany and Italy including the second trading line.

Exchange rates as at 12/31/2008:
USD / CHF: 1.06985
EUR / CHF: 1.49405
GBP / CHF: 1.55990

Sector – Pulmonary arterial hypertension

Pulmonary arterial hypertension (PAH) is an increase in blood pressure in the pulmonary artery, pulmonary vein, or pulmonary capillaries, together known as the lung vasculature, leading to shortness of breath, dizziness, fainting, and other symptoms, all of which are exacerbated by exertion. Depending on the cause, pulmonary hypertension can be a severe disease with markedly decreased exercise tolerance and right-sided heart failure. The patient population suffering from pulmonary hypertension is estimated to be approximately 75 000 to 100 000 patients in the US and a similar number for Europe, with the diagnosed and treated number of patients being significantly lower.

Historically, PAH has been a very severe disease with three-year survival rates approximated to be 50% in patients with more progressed disease. Recent clinical studies have produced more than 90% two-year survival rates demonstrating the effectiveness of modern drugs. Indeed, current drugs, in many cases, can halt disease progression and/or improve clinical symptoms.

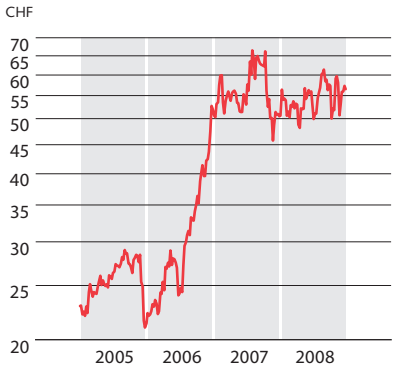
The combination of increased efforts in earlier diagnosis as well as improvements in drugs and drug combinations has led to a substantial increase in disease awareness. With the launch of the first oral drug six years ago, the PAH market has grown from a few hundred patients to an estimated 50 000 patients on different drug therapy.

Investment commentary – Actelion

Actelion concentrates on the development and marketing of medicines used to treat cardiovascular diseases. Their lead product, Tracleer, is the first oral endothelin receptor antagonist. In 2002, the agent was approved in the US and Europe for the treatment of pulmonary arterial hypertension (PAH). Increasing patient diagnosis, patient survival, and the successful geographic expansion of sales territories are the basis for the continued strong sales momentum. Given Tracleer's clinical profile, we expect Tracleer to remain the cornerstone of PAH therapy and to continue once again its growth path, although at a lower pace. Actelion's pipeline substantially progressed in 2008. Three large Phase III studies are expected to report in 2009. Almorexant, a novel orexin receptor antagonist, will report RESTORA-1 study results for the treatment of insomnia. A large strategic partnership with GlaxoSmithKline was signed in 2008, allowing Actelion to co-promote almorexant as well as possibly achieving significant milestone payments in case of positive development and marketing of almorexant. Clazosentan, an iv endothelin receptor antagonist, will report data from CONCIOUS-2, a Phase III study for the treatment of subarachnoid hemorrhage, a disease with a clear unmet medical need. BUILD-3, a Phase III study testing Tracleer's potential in treating idiopathic pulmonary fibrosis, will report in late 2009, potentially doubling Tracleer's current sales potential if positive. Phase II programs possibly reporting in 2009 include studies for a novel oral prostanoid receptor agonist for the treatment of PAH and for a CRTH2 receptor antagonist for the treatment of allergic inflammation.

BRIEF COMMENTARY

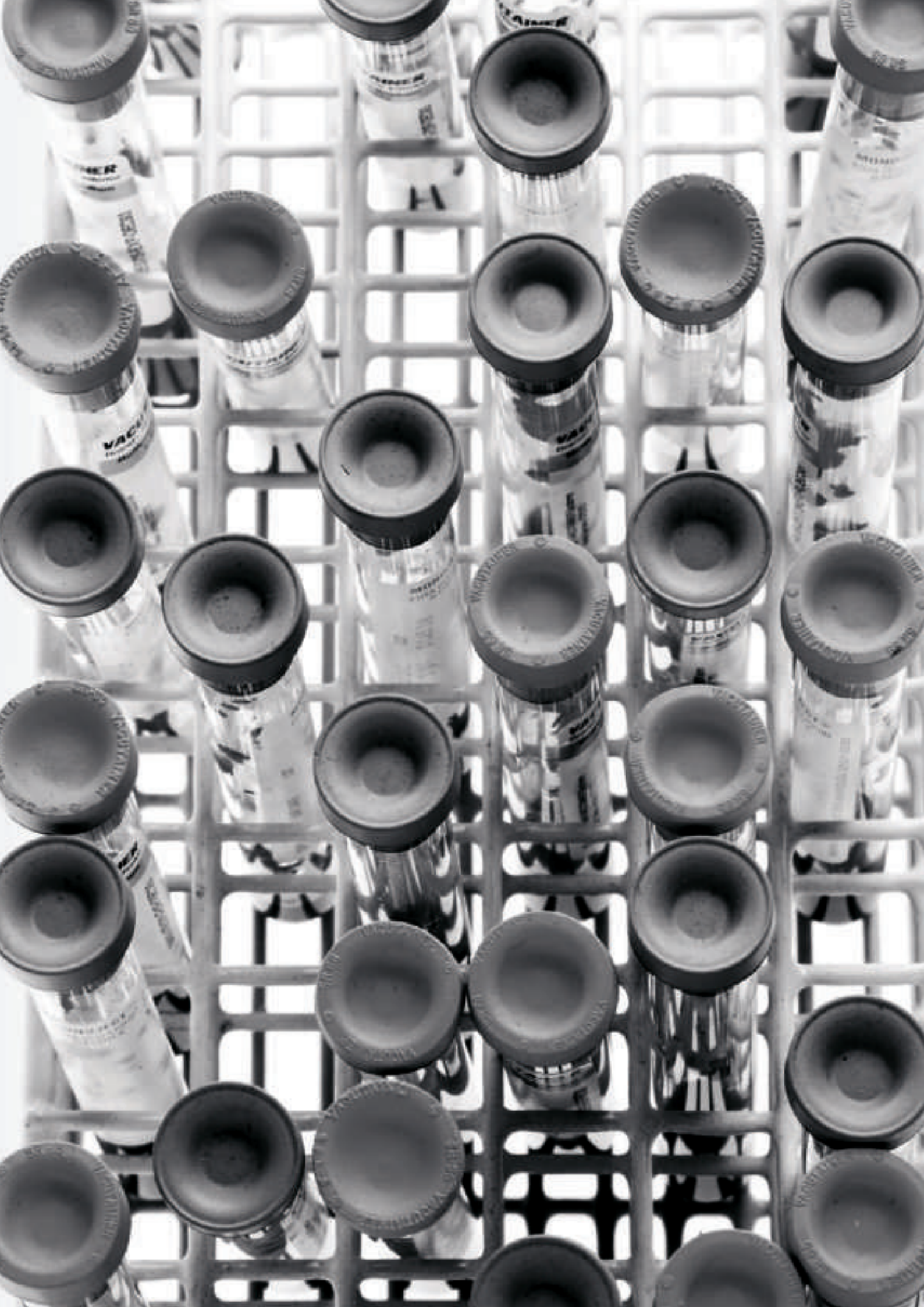
- **The PAH patient population is estimated to be in the range of 150 000 to 200 000 patients globally**
- **An expected 50 000 patients currently benefit from effective and safe drugs**
- **The market is expected to grow based on both increasing disease awareness and diagnosis efforts**



FACTS & FIGURES

Market capitalization 12/31/08: CHF 7.4 bn
Revenues 2008: CHF 1.5 bn
EBIT margin: 25%
Net profit 2008: CHF 0.3 bn
Employees: 1900

Source chart: Datastream



Sector – Infectious diseases

Infectious diseases like HIV, hepatitis B, and hepatitis C are serious, life-threatening diseases with high prevalence around the globe. Infections are usually qualified as contagious diseases due to the potential of transmission from one person or species to another. With modern medications, many patients can be saved, or life expectancy can be extended significantly. However, most of the patients don't have access to modern medications. There are many initiatives ongoing to increase the diagnosis rate, and to improve access to modern therapies. Even in the US, only about 50% of the estimated 1.0 to 1.2 mn infected HIV patients are on antiviral therapy.

The proportion of the world's population currently infected with hepatitis B is estimated at 3% to 6%. The number of hepatitis B patients on oral antiviral therapy is estimated to be only 5% of the number of infected persons in the US.

Hepatitis C infects an estimated 170 mn people worldwide and 4 mn in the US. In the US alone, there are 10 000 to 20 000 deaths a year due to hepatitis C. Expectations are that this mortality rate will increase with those who were infected by transfusion before hepatitis C testing became routine.

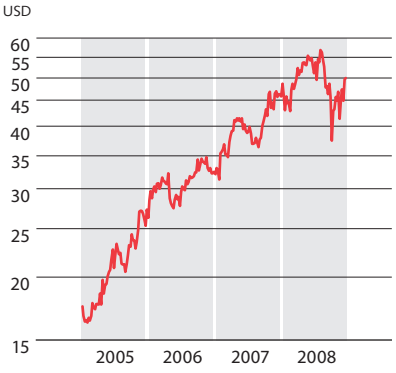
Bacterial infections are still a significant challenge for medicine, as new strains develop resistance against available antibiotics.

Investment commentary – Gilead

Gilead develops drugs for infectious diseases such as HIV, hepatitis B, hepatitis C, and influenza, as well as pulmonary disorders such as pulmonary arterial hypertension (PAH) and cystic fibrosis. The company's first key product, Viread, is a nucleotide reverse transcriptase inhibitor that was launched in 2001 and is now firmly established as a mainstay of treatment for HIV infection. In 2004, the company launched Truvada, which has become the backbone of therapy for the majority of HIV patients. In July 2006, Gilead launched Atripla, a once-daily fixed-dose tablet that includes Truvada and Bristol-Myers Squibb's Sustiva. Atripla has rapidly become the drug of choice in the US for newly diagnosed HIV patients. The roll-out of Atripla in Europe continues and the product will be launched in all major countries in 2009. In addition, the company's integrase inhibitor, currently in Phase II trials, could offer HIV patients another alternative to combat the disease. The introduction of Hepsera established Gilead as an important player in the treatment of hepatitis B infection and the approval of Viread for this indication in 2008 should expand the franchise as Viread has shown better efficacy. The company receives a royalty from partner Roche on worldwide sales of Tamiflu for the treatment and prevention of influenza. In June 2007, Gilead launched Letairis for the treatment of PAH, which competes with Actelion's Tracleer. In 2009, data from Phase III trials with Darusentan for resistant hypertension will be available. If positive, a product launch could occur by the end of 2010. Launch of Cayston, a new antibiotic for the treatment of cystic fibrosis, in Europe is possible in 2009.

BRIEF COMMENTARY

- **HIV, hepatitis B and hepatitis C are classical infectious diseases**
- **The world's population infected with hepatitis B is 3 to 6%**
- **Worldwide 170 mn patients are infected with hepatitis C**



FACTS & FIGURES

Market capitalization 12/31/08: USD 46.6 bn
Revenues 2008: USD 5.3 bn
EBIT margin 2008: 53%
Net profit 2008: USD 2.0 bn
Number of employees: 2979

Source chart: Datastream

Sector – Hematology

Multiple myeloma (a progressive hematologic "blood" disease) is a cancer of the plasma cell, an important part of the immune system that produces antibodies to help fight infection and disease. The disease is characterized by an excessive number of abnormal plasma cells in the bone marrow and the overproduction of intact monoclonal antibodies. Hypercalcemia (high blood calcium), anemia (low red blood cell levels), renal damage, increased susceptibility to bacterial infection, and impaired production of normal antibodies are common clinical manifestations of multiple myeloma. Approximately 100 000 people worldwide are living with the disease, and there are an estimated 50 000 new cases diagnosed each year.

The choice of initial therapy is dependent on whether a patient is a candidate for high-dose chemotherapy and/or stem cell transplant. For non-transplant candidates, the historical treatment usually consisted of melphalan and prednisone. For transplant candidates, a regimen of Thalomid (produced by Celgene) and dexamethasone was standard.

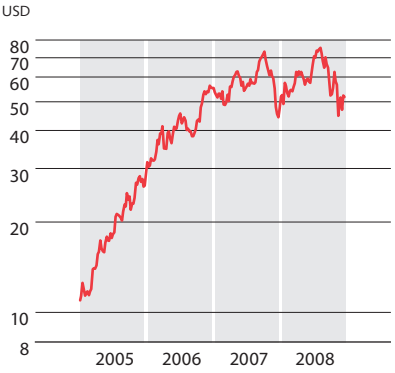
Over the past two years, tremendous progress has been made in this field, improving response and survival rates while decreasing the side effects of the drugs.

BRIEF COMMENTARY

- **Multiple myeloma is a cancer of the plasma cell**
- **100 000 people worldwide are living with this disease**
- **Tremendous progress increases response and survival rates**

Investment commentary – Celgene

Celgene specializes in the development and marketing of new drugs for cancer and inflammatory diseases. Its first marketed product, Thalomid, was approved for multiple myeloma in May 2006. A second product is Revlimid, an analog of Thalomid with improved efficacy and safety that was approved by the FDA in December 2005 for the subgroup of patients with myelodysplastic syndrome (MDS) characterized by an abnormality in the 5q-chromosome. Data from another trial showed that Revlimid is active in the broader group of low- and intermediate-risk MDS patients and there has been off-label use in this population. For the indication of relapsed/refractory multiple myeloma, Revlimid received approval in June 2006. In late 2007, the company presented strong survival data in the front-line multiple myeloma setting, which should increase the market opportunity of Revlimid. Together, MDS and multiple myeloma represent a USD >3.0 bn market opportunity for Revlimid. Results from studies in other hematologic malignancies, such as chronic lymphocytic leukemia and non-Hodgkin's lymphoma, are showing promise, and we expect late-stage trials that could generate label expansions for these important indications to start in 2009. With the acquisition of Pharmion in 2007, Celgene gained worldwide rights to Vidaza for high-risk MDS. The product has shown striking survival data and we expect it to be the leading drug for this indication. Other Thalomid analogs are in development which could target different malignancies and inflammatory disorders. The company receives royalties on sales of Ritalin and Focalin (ADHD) from Novartis.



FACTS & FIGURES

Market capitalization 12/31/08: USD 25.3 bn
Revenues 2008: USD 2.2 bn
EBIT margin 2008: 38%
Net profit 2008: USD 0.7 bn
Number of employees: 1 685

Source chart: Datastream

Sector – Hepatitis C

Hepatitis C infects an estimated 170 mn people worldwide and 4 mn in the US. In the US alone, there are 10 000 to 20 000 deaths per year due to hepatitis C. Persons infected with the hepatitis C virus can live with the infection for many years without experiencing any serious symptoms. In most cases, however, the illness manifests itself at some point with severe symptoms such as liver cancer or cirrhosis. Since most hepatitis C infections in the Western world occurred between 1960 and 1990, before there were effective means of diagnosis and prevention, it can be assumed that the mortality rate will increase in the coming years.

The current standard of care is combination therapy with pegylated interferon (Roche's Pegasys and Schering-Plough's PEG-Intron) and ribavirin for 48 weeks. This treatment regimen is cumbersome as it involves weekly injections and the pegylated interferons cause flu-like symptoms and other side effects that are often disabling. Moreover, only 40% to 50% of patients who endure the therapy are able to eradicate the virus. The only other alternative for patients who did not respond to Interferon/Ribavirin treatment is a liver transplant.

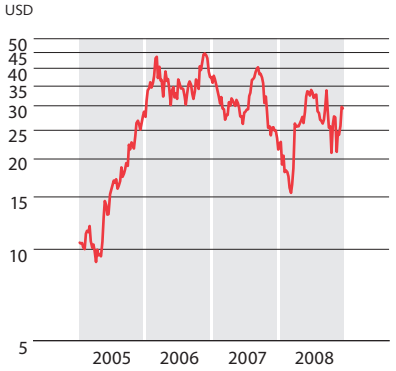
Novel antivirals in clinical development are oral and have the potential to substantially increase the cure rate while cutting the duration of pegylated Interferon/Ribavirin therapy in half, thereby offering a tremendous advance for this disease.

BRIEF COMMENTARY

- **Major cause of acute and chronic liver disease**
- **No vaccine available**
- **Frequent co-infection with HIV**

Investment commentary –
Vertex Pharmaceuticals

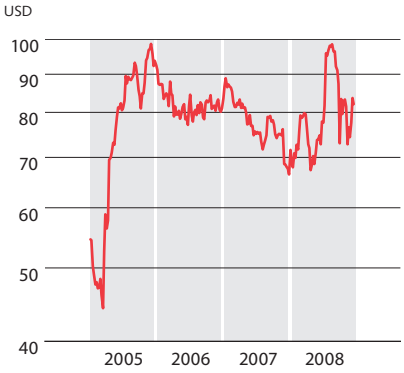
Vertex is focused on discovering and developing small molecule drugs for diseases that include hepatitis C, cystic fibrosis, and inflammatory and autoimmune disorders. Its strategy is to retain US development and marketing rights to product candidates for hepatitis C and cystic fibrosis, and to partner candidates for other disease areas. Its lead product is Telaprevir, a protease inhibitor for hepatitis C. Data from two large Phase II trials, PROVE-1 and PROVE-2, showed sustained viral response (SVR) rates of 61% and 69%, respectively, following twelve weeks of triple therapy plus twelve weeks of standard therapy. These results compare with SVR rates of approximately 50% achieved with the current standard of care. The shorter treatment time and better cure rate with Telaprevir have raised the hopes of many hepatitis C patients. In addition, Telaprevir has shown highly encouraging results in patients who have failed standard therapy, offering the hope for a cure for this large, underserved patient population. Telaprevir is currently in Phase III trials in treatment-naïve and treatment-refractory patients, and we expect positive data in 2010 to lead to launch in the US and Europe in 2011. In view of the high market demand, the drug should achieve significant market success.



FACTS & FIGURES

Market capitalization 12/31/08: USD 4.6 bn
Revenues 2008: USD 0.2 bn
Net loss 2008: USD 0.5 bn
Number of employees: 1 150

Source chart: Datastream

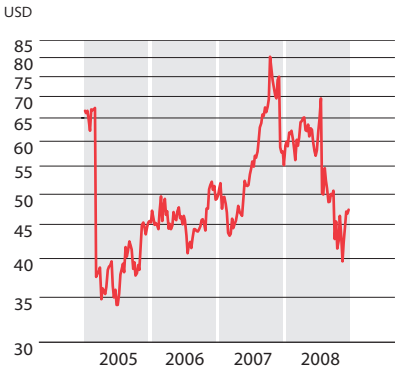


FACTS & FIGURES

Market capitalization 12/31/08: USD 87.2 bn
Revenues 2008: USD 13.4 bn
Net profit 2008: USD 3.6 bn

Genentech

Founded in 1976, Genentech has pioneered recombinant DNA technology, which became the mainstay of biotech product development. Genentech currently manufactures multiple products for a variety of medical conditions, including cancer, rheumatoid arthritis, neovascular wet-age related macular degeneration, allergic asthma, growth hormone deficiency and heart attack. In 2008, Genentech continued to significantly grow revenues and earnings, driven by its ability to increase market share of Avastin in the lung and breast cancer indications. In July 2008, Roche, the majority owner of Genentech, bid for the remaining stake at USD 89 per share. The bid was not supported by the special committee of independent directors, as they concluded that the offer price substantially undervalued the company. The crisis in financial markets, accompanied by drainage in liquidity, followed in the fall, and raised concerns about Roche's ability to finance the deal. Roche's management seems committed to complete the deal, and is likely to close the deal contingent to secured financing. Key events to watch for Genentech in 2009 are any progress from the Roche takeover bid and data release from NSABP-C08 trial evaluating Avastin treatment in early colon cancer.

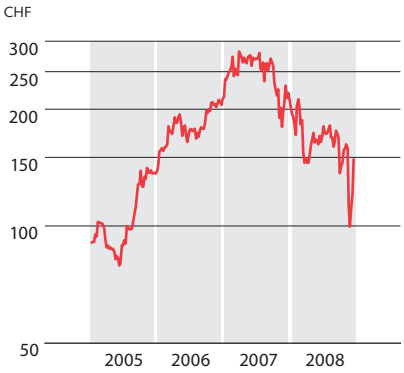


FACTS & FIGURES

Market capitalization 12/31/08: USD 14.1 bn
Revenues 2008: USD 4.1 bn
Net profit 2008: USD 1.1 bn

Biogen Idec

Biogen Idec's lead marketed drugs are Avonex, Rituxan, and Tysabri. Market share leader Avonex is a beta interferon used for the treatment of relapsing and remitting multiple sclerosis (RRMS). Rituxan, partnered with Genentech, is an antibody used for the treatment of non-Hodgkin's lymphomas (NHL) and rheumatoid arthritis. Tysabri is a humanized alpha-4 integrin antibody, co-developed with Elan Corp, approved for the treatment of RRMS. Biogen Idec has set a series of goals to be attained by year end 2010. Key to achieving these growth goals will come from the commercial performance of Tysabri: Biogen Idec targets having 100 000 patients on the drug by the end of 2010. In 2008, the drug generated over USD 800 mm in revenues, capturing about 8% of the MS market. There were more than 37 000 patients on commercial Tysabri use by the end of 2008. In June 2008, Biogen Idec won a proxy fight against the influential investor Carl Icahn, who wanted to take control of the Board by the appointment of his own nominees. Icahn still holds a significant stake in Biogen Idec.



FACTS & FIGURES

Market capitalization 12/31/08: CHF 1.4 bn
Revenues 2008: CHF 12 mn
Net loss 2008: CHF 144 mn

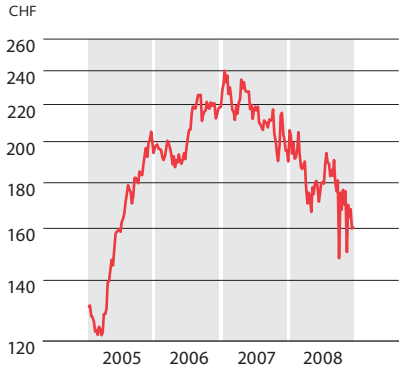
Basilea Pharmaceutica

Basilea is developing and marketing drugs for the treatment of bacterial and fungal infections as well as marketing Toctino for severe forms of hand eczema. Toctino, the company's first approved drug, was launched in fall 2008 in the EU for the treatment of severe hand eczema. The positive Phase III study combined with more safety information was the basis for the FDA agreeing to allow a Phase III study in the US, initiated in late 2008. Ceftobiprole, a novel cephalosporin active as well on methicillin-resistant-staph aureus (MRSA), achieved approval in Canada as well as in Switzerland and achieved a positive CHMP recommendation with full EU approval expected for early 2009. In contrast, the US authorities again issued a complete response with the FDA indicating to Basilea's partner J&J that further resolution of specific deficiencies of study conduct is necessary. As a result of FDA audits at investigator sites and of the sponsor J&J, the agency suggested that J&J have additional clinical site audits performed. J&J has therefore to address these issues and to reply latest by December 2009. The company's antifungal drug Isavuconazol is expected to report initial Phase III results for the treatment of candida infections in summer 2009.

Source chart: Datastream

Roche

Roche, a leading healthcare company for more than 100 years, is arranged in two operative divisions: pharmaceuticals and diagnostics. It holds majority stakes in Genentech and Chugai Pharmaceuticals. Roche's robust growth rate and limited patent expiries differentiate it from its pharma peers. Roche is taking part in the growth story of Genentech, built on the large potential of Avastin, Herceptin and Rituxan, not only in the US but also in Europe. In 2008, Avastin continued gaining market share in Europe, in its approved indications, metastatic colorectal cancer, metastatic breast cancer, advanced lung cancer, and advanced kidney cancer. On July 21, 2008, Roche approached the independent directors of Genentech about its intention to acquire all remaining outstanding shares of Genentech (44%) at USD 89 per share (reference: Genentech). In 2008, Roche completed the acquisitions of Ventana (diagnostics), Piramed (cancer) and Memory Pharmaceuticals (neurology).

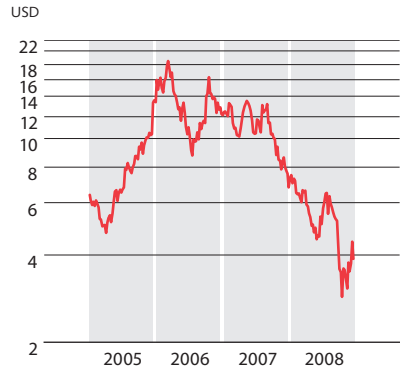


FACTS & FIGURES

Market capitalization 12/31/08: CHF 114.2 bn
Revenues 2008: CHF 45.6 bn
Net profit 2008: CHF 10.8 bn

Arena

Arena is a development stage biotechnology company focused on metabolic, and cardiovascular disorders. Its lead clinical candidate is lorcaserin, a potential blockbuster product that could yield a very lucrative partnership, for the treatment of obesity. It is currently in a large Phase III program (3 Phase IIIs including over 7 000 patients) in which the first trial passed its first and second planned interim analyses. Phase II data generated a compelling efficacy and safety profile after 12-weeks of dosing. We are expecting the pivotal Phase III data at the end of March, which, if positive, will, in our opinion, open the possibility for a strong partnership.

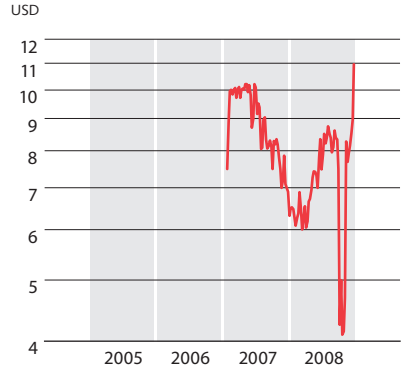


FACTS & FIGURES

Market capitalization 12/31/08: USD 309 mn
Revenues 2008*: USD 10 mn
Net loss 2008*: USD 231 mn

Optimer

Optimer develops antibiotic drug candidates. The company made a successful initial public offering in February 2007 and was listed on the Nasdaq Stock Exchange. Optimer's lead compound OPT-80 is a novel antibiotic selective for Clostridium difficile bacteria, which cause severe and sometimes fatal diarrhea in hospitalized patients. OPT-80 is designed to eradicate only C.diff bacteria, thus not disrupting the helpful bacteria that inhabit the GI system. This is unique and differentiated from current antibiotics that tend to wipe out all the bacteria, often leading to relapse of symptoms in patients. Optimer announced very positive data from the first of two Phase III studies last fall, making OPT-80 perhaps the most effective overall drug for this disease. We believe the strengths of this data have opened the possibility for a lucrative partnering deal. Optimer also has another product, Prulifloxicin, in Phase III development for the treatment of Traveler's Diarrhea. Data from the first Phase III study were positive. It is already approved in Europe for other indications, thus establishing a known safety and efficacy profile.

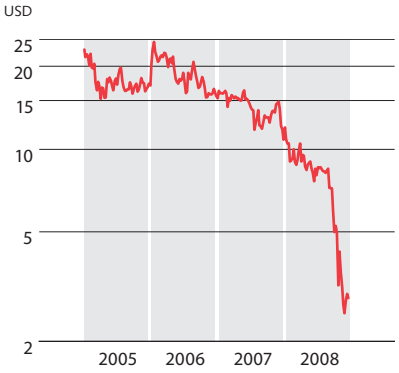


FACTS & FIGURES

Market capitalization 12/31/08: USD 360 mn
Revenues 2008*: USD 1 mn
Net loss 2008*: USD 34 mn

*estimates

Source chart: Datastream

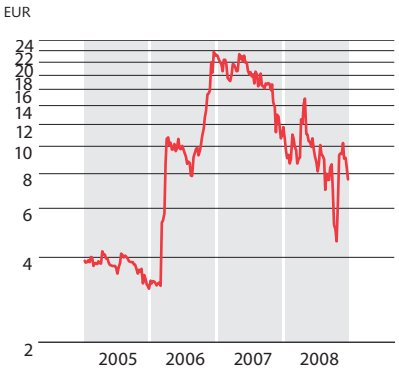


FACTS & FIGURES

Market capitalization 12/31/08: USD 206 mn
Revenues 2008: USD 51 mn
Net loss 2008: USD 179 mn

Zymogenetics

Zymogenetics's key competence is the identification and development of protein-based drugs. The company's lead drug, Recothrom, is a recombinant human thrombin for the prevention of post surgical bleeding. A successful Phase III trial was completed in the fall of 2006, with the product showing comparable efficacy and better safety than Thrombin-JMI, the current standard of care, a bovine derived thrombin. Recothrom received a broad label in mid January 2008 with the product offering being extended with a higher unit formulation and a spray kit in mid 2008. RecoThrom is co-marketed with Bayer in the US, with Bayer having filed RecoThrom for its registration in Europe in late 2008. The initial launch of the product has been difficult due to competition and price pressure at hospital pharmacies. The last quarter of 2008 has shown signs of launch acceleration for RecoThrom. The company's pipeline has advanced with Atacicept further progressing in RA and MS, both in Phase II done by the licensing partner Merck Serono, IL-21 in Phase II for different cancer indications and Interferon-lambda for hepatitis C virus.

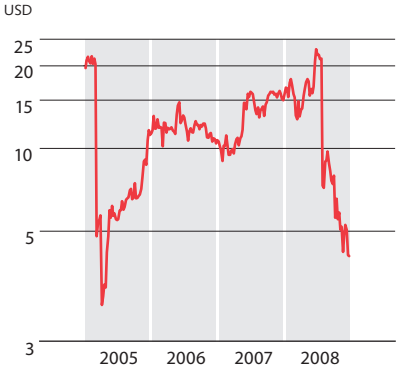


FACTS & FIGURES

Market capitalization 12/31/08: EUR 368 mn
Revenues 2008: EUR 3 mn
Net loss 2008: EUR 74 mn

NicOx

NicOx focuses on the development of new drugs with improved efficacy and safety profiles by attaching a nitric oxide donating group to a molecule of known pharmacological activity. The Company's lead compound is naproxcinod, nitric oxide donated naproxen, which is in Phase III clinical development for the treatment of osteoarthritis. The approval/commercial strategy for naproxcinod is to achieve similar activity to naproxen and better control in blood pressure. In the fall of 2008, NicOx announced the results from the three pivotal Phase III trials for naproxcinod in patients with knee and hip osteoarthritis. In all the studies, the primary endpoint of naproxcinod showing superiority in pain relief to placebo and non-inferiority to naproxen was met. More importantly, the pooled analysis showed that naproxcinod demonstrated a reduction of 2.3 mm Hg in blood pressure versus naproxen, showing a placebo-like blood pressure profile. The results from the 24 hour ambulatory blood pressure monitoring studies also provided support to this data. NicOx is expected to file the combined package of data to the FDA in mid 2009. We believe that naproxcinod has the potential to meet the need in the market for an anti-inflammatory drug with a favorable blood pressure profile.



FACTS & FIGURES

Market capitalization 12/31/08: USD 2.8 bn
Revenues 2008: USD 1.0 bn
Net loss 2008: USD 71 mn

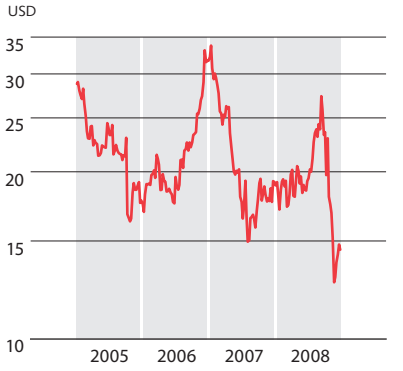
Source chart: Datastream

Elan

Elan is focused in discovering, developing and manufacturing advanced therapies in autoimmune diseases and neurology, particularly in multiple sclerosis and Alzheimer's disease (AD). The growth prospects for Elan depend primarily on the future of Tysabri and advances from its Alzheimer's disease pipeline. Elan's scientific approach to treating Alzheimer's disease (AD) focuses on the beta amyloid hypothesis, as it is believed that blocking the generation of beta amyloid in the brain, or enhancing its clearance, has the potential to become a successful treatment of AD. Bapineuzumab (AAB-001) is the company's humanized monoclonal antibody against beta amyloid and is partnered with Wyeth. The 18 month results from the Phase II trial were presented at ICAD in July 2008. The trial did not meet its pre-specified efficacy endpoint. The post-hoc sub-group analysis showed benefit of the drug in apolipoprotein E4 (ApoE4) non-carrier patients. (ApoE4 protein is thought to play a role in the movement and distribution of cholesterol in the brain, but removes beta amyloid protein less efficiently than the other ApoE types.) Elan and Wyeth are conducting four worldwide Phase III studies in mild to moderate Alzheimer's disease patients, as separate trials for ApoE4 carrier and non-carrier patients. Elan recently hired Citigroup to review strategic business alternatives to secure necessary financial resources, as a vigilant measure against the expiration of part of the company's USD 1.8 bn outstanding debt in 2011.

The Medicines Company

The company develops biopharmaceutical products for the acute care market. Angiomax (bivalirudin), the company's main product, is an anticoagulant approved for use in patients undergoing coronary angioplasty procedures, which showed less bleeding complications compared to heparin. Angiomax revenues grew more than 30% in 2008, with increased market share in the PCI market, supported by the strong results from the HORIZON study, showing a reduction in cardiac mortality in the high risk STEMI patient population. After having reacquired the rights to distribute Angiomax in Europe from Nycomed, the company started laying the foundation in Europe. The company's second product, Cleviprex (short-acting calcium channel blocker), a novel IV hypertensive, got approval in the US for the reduction of blood pressure. Cangrelor (short acting ADP receptor antagonist P2Y12) is the company's most advanced pipeline product tested for platelet inhibition in patients undergoing PCI. The trials are expected to yield results by the second half of this year. In 2009, the Medicines Company is expected to continue its efforts with Congress to have legislation passed that would allow patent extension of Angiomax.

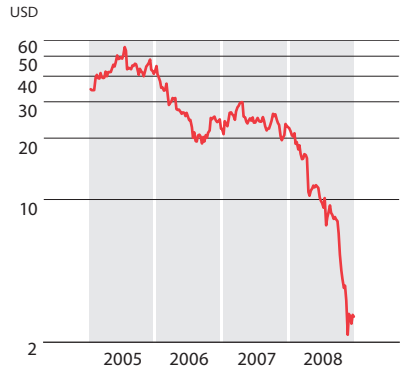


FACTS & FIGURES

Market capitalization 12/31/08: USD 770 mn
Revenues 2008: USD 348 mn
Net loss 2008: USD 9 mn

Affymetrix

Affymetrix specializes in systems for genetic analysis and clinical diagnostics. The company's GeneChip system employs microarray technology to detect genetic patterns in a highly efficient manner. The company has established itself as the clear technology leader in the chip array space. The product offering includes chips to measure gene expression levels (RNA arrays) or to identify single nucleotide polymorphisms (SNP) or gene copy numbers (DNA arrays), reagents, and the instrument platform used to measure the chip content. Although improvements in product manufacturing have been achieved in 2008, the company experienced a significant revenue decline in most segments, with the biggest impact coming from a significantly reduced R&D spending of the big pharmaceutical companies. The company has recently acquired two companies to address technology gaps potentially allowing Affymetrix to address new markets. USB, a company focusing on lab chemistry and enzymes, has been acquired in summer 2008 allowing Affymetrix to improve next generation arrays. In late 2008, Affymetrix acquired Panomics, a company developing a bead-based coded array technology. Both technologies acquired should allow to reinitiate the company's next generation products.

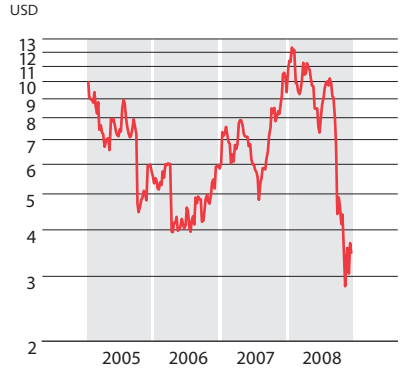


FACTS & FIGURES

Market capitalization 12/31/08: USD 210 mn
Revenues 2008: USD 410 mn
Net loss 2008: USD 308 mn

Incyte

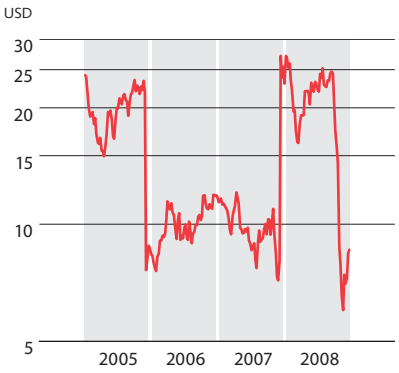
In April 2004, Incyte made the transition from a service company providing gene sequence information to a drug discovery company focused on myelofibrosis, inflammatory disorders, diabetes, and cancer. The most advanced project in Incyte's pipeline, its oral JAK-2 inhibitor INCB18424, is expected to enter Phase III development for myelofibrosis in 2009. The compound also produced positive Phase IIa data in rheumatoid arthritis and showed encouraging results as a topical formulation in psoriasis. Phase IIb trials for each of these indications are expected to yield initial data in 2009/2010. Progress on other compounds in its early stage pipeline also continues. Phase II data on two products for diabetes, HSD1 inhibitor INCB13739 and HM74a agonist INCB19602, are expected in 2009. Positive results could lead to a partnership that would help fund the pipeline.



FACTS & FIGURES

Market capitalization 12/31/08: USD 368 mn
Revenues 2008: USD 4 mn
Net loss 2008: USD 179 mn

Source chart: Datastream

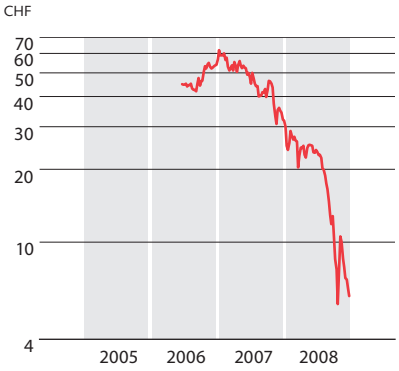


FACTS & FIGURES

Market capitalization 12/31/08: USD 293 mn
Revenues 2008: –
Net loss 2008: USD 132 mn

Rigel Pharmaceuticals

Rigel is discovering and developing novel small molecule drugs for indications that include rheumatoid arthritis and cancer using its proprietary cell-based target identification and validation technology platform. The lead product, R788, is a Syk (spleen tyrosine kinase) inhibitor that has shown promising efficacy in Phase IIa trials in rheumatoid arthritis and B-cell lymphoma. We expect the company to sign a partnership for the compound in early 2009 and results from Phase IIb trials in rheumatoid arthritis patients who failed standard therapies to follow in the second half of 2009.



FACTS & FIGURES

Market capitalization 12/31/08: CHF 34 mn
Revenues 2008*: EUR 2 mn
Net loss 2008*: EUR 17 mn

*estimates

Source chart: Datastream

BioXell

BioXell develops biologically active vitamin D3 analogues being tested for urology and inflammatory diseases. Elocalcitol, the company's lead product candidate, has finished a large Phase II study for the treatment of benign prostatic hyperplasia (BPH). The company currently has one Phase II trial ongoing testing Elocalcitol for the treatment of overactive bladder (OAB) and is enrolling for a proof of concept study for male infertility. The first OAB Phase IIa study reported efficacy that is comparable to today's gold standard, a class of drugs called muscarinic receptor antagonists. In addition, the data indicated a significant improvement in safety compared to current therapies. The company did in-license another vitamin D3 analogue from Roche: BXL-746 has shown anti-fibrotic and anti-inflammatory properties with BioXell planning a Phase II study expected to begin in 2009 for the prevention of post surgical adhesion.

Epigenomics

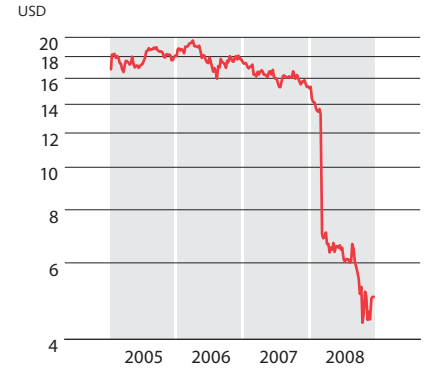
Epigenomics develops diagnostic markers for both the early detection of cancer as well as the classification of already developed and identified cancers. The most advanced program is for the early detection of colon cancer from blood samples. The PRESEPT study was initiated in second quarter 2008, with the study being designed to enroll up to 7 500 asymptomatic subjects aged 50 or older at average to increased risk for colorectal cancer who have been scheduled for a regular screening colonoscopy at multiple clinical sites in the US and Germany. This population is expected to harbor about 50 cases with undetected colorectal cancer. Study results are expected for the second half of 2009. The program is partnered with Abbott Molecular and Quest Diagnostic. In late 2008, Epigenomics successfully completed a clinical study in prostate cancer that demonstrated that patients with elevated PITX2 gene methylation level had a threefold higher risk of relapse following prostatectomy compared to patients with low PITX2 methylation. The company currently explores different routes to market the test as soon as possible. Another screening test has been moved further into clinical evaluation, with the company initiating an extended lung cancer program. The deal with Qiagen was broadened allowing for cross licensing agreements with other diagnostic players. The company has multiple research collaborations ongoing with companies such as Astra Zeneca, Wyeth, Biogen Idec, Pfizer, and Centocor.

FACTS & FIGURES

Market capitalization 12/31/08: EUR 53 mn
Revenues 2008*: EUR 3 mn
Net loss 2008*: EUR 12 mn

Keryx Biopharmaceuticals

Keryx develops and commercializes novel drugs for diseases that include diabetes and cancer. The company's lead product, KRX-101 (sulodexide), failed in Phase III studies for the treatment of diabetic nephropathy (high levels of the protein albumin in urine), leaving the company with two products in Phase II development, Akt inhibitor Perifosine for cancer and phosphate binder Zerenex for patients on kidney dialysis. Results from a Phase II trial that combined Perifosine with Takeda's Velcade in patients with highly refractory multiple myeloma, presented at the 2008 American Society of Hematology meeting, showed promising efficacy and we expect Phase III trials for this indication to begin in 2009. We also expect a decision on whether to move Zerenex into Phase III development in 2009.



FACTS & FIGURES

Market capitalization 12/31/08: USD 10 mn
Revenues 2008*: USD 1 mn
Net loss 2008*: USD 54 mn

*estimates

Source chart: Datastream

Consolidated balance sheet as at December 31

(in CHF 1 000)

Assets	Notes	2008	2007 restated
Current assets			
Liquid funds		12 454	10 873
Receivables from brokers		1	5 949
Marketable securities	4	1 588 294	2 036 554
Other assets	22	5 465	5 200
		1 606 214	**2 058 576**
Fixed assets			
Other assets	22	12 962	18 406
		12 962	**18 406**
Total assets	**12**	**1 619 176**	**2 076 982**
Net asset value per share in CHF		92.16	88.93

Liabilities and shareholders' equity	Notes	2008	2007 restated
Current liabilities			
Short-term borrowing from banks	5	–	190 000
Payables to brokers		–	179
Securities short	4	977	–
Other short-term liabilities	6	7 366	8 388
Tax accrual	7	207	204
Convertible bond	19	100 070	–
Liability from options	19	5 747	–
		114 367	**198 771**
Long-term liabilities			
Convertible bond	19	–	104 338
Liability from options	19	–	6 718
		–	**111 056**
Total liabilities		**114 367**	**309 827**
Shareholders' equity			
Share capital	8	20 250	22 500
Treasury shares	8	(335 995)	(257 479)
Additional paid-in capital	8	643 070	853 536
Retained earnings		1 177 484	1 148 598
		1 504 809	**1 767 155**
Total liabilities and shareholders' equity		**1 619 176**	**2 076 982**

The notes on pages 36 to 53 are an integral part of these consolidated financial statements.

On February 24, 2009, BB BIOTECH AG's Board of Directors authorized these financial statements for issue.

Consolidated statement of income for the year ended December 31

(in CHF 1 000)

	Notes	2008	2007
Operating income			
Gains from marketable securities	4	72 730	–
Interest income		183	275
Dividend income		895	983
Other income		12	1
		73 820	**1 259**
Operating expenses			
Losses from marketable securities	4	–	211 911
Interest expenses		11 401	13 621
Foreign exchange losses net		3 384	797
Administrative expenses	9	7 185	28 940
Commissions paid		–	3 920
Other expenses	10	6 433	7 368
		28 403	**266 557**
Operating income before tax	**12**	**45 417**	**(265 298)**
Tax expenses	7	(64)	(113)
Net income/(loss) for the year		**45 353**	**(265 411)**
Gain/(loss) and diluted gain/(loss) per share in CHF	11	2.56	(12.47)
Average outstanding shares	11	17 700 242	21 278 496

The notes on pages 36 to 53 are an integral part of these consolidated financial statements.

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

(in CHF 1 000)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total
Balances at January 1, 2006	**25 700**	**(35 438)**	**1 083 253**	**1 206 368**	**2 279 882**
Dividend	–	–	–	(44 877)	(44 877)
Capital reduction	(1 800)	135 865	(134 065)	–	–
Trade with treasury shares (incl. balance change)	–	(288 995)	7 970	–	(281 025)
Liability from options	–	–	1 497	–	1 497
Net gain for the year	–	–	–	297 395	297 395
Balances at December 31, 2006	**23 900**	**(188 568)**	**958 655**	**1 458 885**	**2 252 872**
Balances at January 1, 2007	**23 900**	**(188 568)**	**958 655**	**1 458 885**	**2 252 872**
Dividend	–	–	–	(44 876)	(44 876)
Capital reduction	(1 400)	127 626	(126 226)	–	–
Trade with treasury shares (incl. balance change)	–	(196 537)	19 043	–	(177 494)
Liability from options	–	–	2 064	–	2 064
Net loss for the year	–	–	–	(265 411)	(265 411)
Balances at December 31, 2007	**22 500**	**(257 479)**	**853 536**	**1 148 598**	**1 767 155**
Balances at January 1, 2008	**22 500**	**(257 479)**	**853 536**	**1 148 598**	**1 767 155**
Dividend	–	–	–	(16 467)	(16 467)
Capital reduction	(2 250)	189 364	(187 114)	–	–
Trade with treasury shares (incl. balance change)	–	(267 880)	(17 732)	–	(285 612)
Liability from options	–	–	1 085	–	1 085
Effect of early conversion of convertible bond	–	–	(6 705)	–	(6 705)
Net gain for the year	–	–	–	45 353	45 353
Balances at December 31, 2008	**20 250**	**(335 995)**	**643 070**	**1 177 484**	**1 504 809**

The notes on pages 36 to 53 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow for the year ended December 31

(in CHF 1 000)

	Notes	2008	2007 restated
Cash flows from operating activities			
Proceeds from sales of securities	4	738 123	789 950
Purchase of securities	4	(212 030)	(512 580)
Dividend receipts		895	983
Interest receipts		179	273
Interest payments		(3 349)	(6 904)
Payments for services		(14 368)	(63 736)
Taxes paid	7	(60)	31
Total cash flows from operating activities		**509 390**	**208 017**
Cash flows from financing activities			
Dividend payment		(16 467)	(44 876)
Interest payment convertible bond BB BIOTECH	22	(7 000)	(7 000)
Purchase of treasury shares and derivatives on treasury shares		(384 740)	(892 843)
Proceeds from sales of treasury shares and derivatives on treasury shares		93 782	714 101
(Repayment)/borrowing of loans		(190 000)	26 000
Commissions paid		–	(3 920)
Total cash flows from financing activities		**(504 425)**	**(208 538)**
Foreign exchange difference		(3 384)	(797)
Increase/(decrease) in cash and cash equivalents		**1 581**	**(1 318)**
Cash and cash equivalents at the beginning of the year		**10 873**	**12 191**
Cash and cash equivalents at the end of the year		**12 454**	**10 873**
Liquid funds		12 454	10 873
Cash and cash equivalents at the end of the year		**12 454**	**10 873**

The notes on pages 36 to 53 are an integral part of these consolidated financial statements.

1. The Company and its principal activity

BB BIOTECH AG (the Company) is listed on the SIX Swiss Exchange, in the "Prime Standard Segment" of the German Exchange as well as in the "Star Segment" of the Italian Exchange and has its registered office in Schaffhausen, 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), as well as the provisions of the additional rules of the SIX Swiss Exchange for the Listing of Investment Companies. 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 (including derivative instruments), which are held at fair value through profit or loss, the financial statements are prepared under the historical cost convention. This requires management to make assumptions and estimates that have an impact on the balance sheet values and items of the income statement in the current financial year. In certain circumstances, the actual values may diverge from these estimates.

New IFRS standards and interpretations

The following new standards and interpretations, valid since January 1, 2008, have been applied in these annual consolidated financial statements:

– *IAS 39 (effective July 1, 2007) – Reclassification of financial assets*
– *IFRIC 11 (effective March 1, 2007) – Group and Treasury Share transactions*
– *IFRIC 12 (effective January 1, 2008) – Service concession arrangements*
– *IFRIC 14 (effective January 1, 2008) – The limit on a defined benefit asset, minimum funding requirements and their interactions*

There are no effects and changes in the accounting policies due to the adoption of above mentioned standards and interpretations.

The following standards, interpretations and amendments to published standards were approved, but will only be applicable for the Group on or after January 1, 2009, and were not early adopted in these financial statements:

– *IFRS 8 (effective January 1, 2009) – Operating segments*
– *IFRS 2 (revised, effective January 1, 2009) – Share-based payments*
– *IFRS 3 (revised, effective July 1, 2009) – Business combinations*
– *IFRS 5 (revised, effective July 1, 2009) – Non-current assets held-for-sale and discontinued operations*
– *IAS 1 (revised, effective January 1, 2009) – Presentation of financial statements*
– *IAS 16 (revised, effective January 1, 2009) – Property, plant and equipment*
– *IAS 19 (revised, effective January 1, 2009) – Employee benefits*

– *IAS 20 (revised, effective January 1, 2009) – Accounting for government grants and disclosure of government grants*
– *IAS 23 (revised, effective January 1, 2009) – Borrowing costs*
– *IAS 27 (revised, effective July 1, 2009) – Consolidated and separate financial statements*
– *IAS 28 (revised, effective January 1, 2009) – Investments in associates, and consequential amendments to IAS 32 - Financial instruments: Presentation and IFRS 7: Financial instruments: Disclosures*
– *IAS 29 (revised, effective January 1, 2009) – Financial reporting in hyperinflationary economies*
– *IAS 31 (revised, effective January 1, 2009) – Interests in joint ventures*
– *IAS 32 (revised, effective January 1, 2009) – Financial instruments: Presentation*
– *IAS 36 (revised, effective January 1, 2009) – Impairment of assets*
– *IAS 38 (revised, effective January 1, 2009) – Intangible assets*
– *IAS 39 (revised, effective January 1, 2009) – Financial instruments: Recognition and measurement*
– *IAS 40 (revised, effective January 1, 2009) – Investment property and consequential amendments to IAS 16*
– *IAS 41 (revised, effective January 1, 2009) – Agriculture*
– *IFRIC 13 (effective July 1, 2008) – Customer loyalty programs*
– *IFRIC 15 (effective January 1, 2009) – Agreements for the construction of real estate*
– *IFRIC 16 (effective October 1, 2008) – Hedges of a net investment in a foreign operation*

The Group assessed the impact of the above mentioned new or revised standards and interpretations and concluded that there are no substantial effects and changes in the accounting policies due to the adoption of the standards and interpretations. The Group will adopt the above mentioned standards and interpretations from annual periods beginning January 1, 2009.

Basis of consolidation

The consolidated financial statements include the Company and the subsidiary companies which are controlled by it. Control is the power to govern the financial and operating policies generally defined as ownership, either directly or indirectly, of more than 50% of the voting rights of a company's share capital. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. 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.

Foreign currency translation

Based on the economical environment in which the Company and its subsidiaries operate, the consolidated financial statements of the Group are presented in Swiss Francs, which is the Group's functional and presentation currency. 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. Translation differences on marketable securities held at fair value through profit or loss are reported as part of the net gains/(losses) from marketable securities.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and call money at banks and are stated at the notional amount as this is a reasonable approximation of fair value.

Receivables/payables against brokers

Receivables/payables against brokers result from security transactions and do not bear any interest. These are stated at the carrying amount as this is a reasonable approximation of fair value.

Marketable securities

Marketable securities consist of securities and derivatives. Initially securities and derivatives are valued at fair value and are subsequently remeasured at market values based on stock-exchange prices or generally accepted valuation models that are based on market conditions existing at each balance sheet date, such as Black-Scholes, earnings multiple and discounted cash flow model. Purchases and sales of marketable securities are accounted for at trade date. Realized gains and losses on security trading are recognized in the statement of income 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 statement of income in the period in which they arise. Marketable securities are derecognized when the rights to receive cash flows from marketable securities have expired or where the Group has transferred substantially all risks and rewards of ownership. Based on the exemption in IAS 28 for venture capital organizations, mutual funds and similar entities investments in associates are treated in accordance with IAS 39.

Finacial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss as well as loans and receivables.

Financial assets at fair value through profit or loss comprise marketable securities which are classified as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise cash and cash equivalents, receivables against brokers and other assets.

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 registered shares in issue during the year, less treasury shares. For the diluted earnings per share, the weighted average number of registered shares in issue and the net profit is adjusted to assume conversion of all dilution potential registered shares. The potential registered shares include all registered shares, which will be issued by exercising warrants or options and the underlying shares of the mandatorily convertible bond.

Short-term borrowings from banks

Short-term borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Convertible bond issued

The fair value of the liability portion of a convertible bond is determined using market interest rates for an equivalent non-convertible bond. This amount is recorded as liability on an amortized cost basis until extinguished on conversion or maturity of the bond. The remainder is allocated to the conversion component which is included in the shareholders equity. The issuing costs are allocated to the debt and equity component relative to their proportions.

In order to cover its delivery commitment under the mandatory convertible bond, the Company has acquired 1.11 mn call options with a strike of CHF 5.30 (dividend adjusted), maturity January 6, 2009. The call options, in conjunction with the delivery commitment, were recognized in equity. The present value of the payment due at maturity in conjunction with the exercise of the call options is reported in the balance sheet under the heading "liability from options".

Treasury shares

Treasury shares and derivative instruments on treasury shares are deducted from shareholders' equity. On the other hand, a short position of treasury shares increases shareholders' equity. All profits and losses arising from trading in treasury shares are directly credited/debited to additional paid-in capital. Treasury shares may be acquired and held by the company or by other members of the consolidated Group.

Net asset value per share

The net asset value per share is calculated by dividing the shareholders' equity by the number of shares outstanding less treasury shares held. For the diluted net asset value per share, the number of treasury shares is adjusted to assume conversion of all dilution potential registered shares. The potential registered shares include all registered shares, which will be issued by exercising warrants or options and the underlying shares of the mandatory convertible bond.

Dividend income

Dividends on marketable securities are recognized in the income statement when the Group's right to receive payment is established.

Commitments, contingencies and other off-balance sheet transactions

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary.

3. Changes in companies consolidated

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

4. Marketable securities

Marketable securities comprise the following:

Company	Number 12/31/2007	Change to 12/31/2007	Number 12/31/2008	Market price in original currency		Valuation CHF mn 12/31/2008	Valuation CHF mn 12/31/2007
Actelion	10 415 000	(1 837 336)	8 577 664	CHF	59.40	509.5	542.1
Gilead	5 702 218	301 400	6 003 618	USD	51.14	328.5	295.1
Celgene	5 109 339	(744 900)	4 364 439	USD	55.28	258.1	265.6
Vertex Pharmaceuticals	5 000 000	–	5 000 000	USD	30.38	162.5	130.7
Genentech	3 192 536	(2 088 100)	1 104 436	USD	82.91	98.0	240.9
Biogen Idec	2 097 435	(386 235)	1 711 200	USD	47.63	87.2	134.3
Basilea Pharmaceuticals	–	186 137	186 137	CHF	148.90	27.7	–
Roche Holding GS	348 710	(198 710)	150 000	CHF	162.50	24.4	68.2
Arena Pharmaceuticals	1 000 000	2 339 430	3 339 430	USD	4.17	14.9	8.8
Optimer Pharmaceuticals	700 000	327 539	1 027 539	USD	12.11	13.3	5.5
Zymogenetics	3 800 000	200 000	4 000 000	USD	3.00	12.8	49.9
NicOx	1 000 000	–	1 000 000	EUR	7.76	11.6	18.2
Elan	5 035 300	(3 535 300)	1 500 000	USD	6.00	9.7	124.5
The Medicines Company (TMC)	1 467 400	(880 300)	587 100	USD	14.73	9.3	31.6
Affymetrix	2 000 000	–	2 000 000	USD	2.99	6.4	52.1
Incyte	947 166	–	947 166	USD	3.79	3.8	10.7
Rigel Pharmaceuticals	370 000	–	370 000	USD	8.00	3.2	10.6
BioXell	487 194	–	487 194	CHF	6.24	3.0	15.6
Epigenomics	945 000	–	945 000	EUR	2.00	2.8	3.1
Keryx Biopharmaceuticals	939 311	–	939 311	USD	0.22	0.2	8.9
Jerini	2 417 016	(2 417 016)	–	EUR	–	–	12.0
Listed shares						**1 586.9**	**2 028.2**
Total shares						**1 586.9**	**2 028.2**
(share, type, strike price, expiration date, conversion ratio)							
Gilead, call option, USD 54.00, 02/20/09, 1:1	–	(400 000)	(400 000)	USD	2.28	(1.0)	–
SWAP Agreement BB Biotech AG, 05/18/2012	1	–	1	CHF	–	1.4	7.7
Genentech, call option, USD 85.00, 05/16/2008, 1:1	1 000 000	(1 000 000)		USD	–	–	0.7
Total derivative instruments						**0.4**	**8.4**
Total securities						**1 587.3**	**2 036.6**
				USD 1 =	*CHF*	*1.06985*	*1.1249*
				EUR 1 =	*CHF*	*1.49405*	*1.6552*

The options are valued on the basis of the Black-Scholes model which is based on market conditions existing at each balance sheet date.

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

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

Change in value by investment category from January 1, 2007, to December 31, 2007

(incl. securities short, in CHF 1 000)

	Listed shares	Unlisted shares	Derivative instruments	Total
Opening balance as at 01/01/2007 at fair values	**2 539 780**	**–**	**(49)**	**2 539 731**
Purchases	498 750	–	4 239	502 989
Sales	(791 900)	–	(2 355)	(794 255)
Realized gains	42 343	–	2 269	44 612
Realized losses	(185 225)	–	–	(185 225)
Unrealized gains	246 388	–	7 821	254 209
Unrealized losses	(321 934)	–	(3 573)	(325 507)
Net gains/(losses) from marketable securities	(218 428)	–	6 517	(211 911)
Closing balance as at 12/31/2007 at fair values	**2 028 202**	**–**	**8 352**	**2 036 554**

Change in value by investment category from January 1, 2008, to December 31, 2008

(incl. securities short, in CHF 1 000)

	Listed shares	Unlisted shares	Derivative instruments	Total
Opening balance as at 01/01/2008 at fair values	**2 028 202**	**–**	**8 352**	**2 036 554**
Purchases	210 638	–	1 212	211 850
Sales	(725 990)	–	(7 827)	(733 817)
Reclassification [1)]	(200)	–	200	–
Realized gains	97 618	–	6 707	104 325
Realized losses	(14 873)	–	(1 668)	(16 541)
Unrealized gains	161 899	–	–	161 899
Unrealized losses	(170 614)	–	(6 339)	(176 953)
Net gains/(losses) from marketable securities	74 030	–	(1 300)	72 730
Closing balance as at 12/31/2008 at fair values	**1 586 680**	**–**	**637**	**1 587 317**

1) Excercise (50 000) put options Basilea Pharmaceuticals, CHF 160, 11/21/2008, 1:1

5. Short-term borrowing from banks

(in CHF 1 000)

Short-term borrowings froms banks comprise the following:

	12/31/2008	12/31/2007
Short-term loan	–	190 000
	–	**190 000**

At December 31, 2008, no credits are claimed (2007: CHF 190 mn, CHF 130 mn at 3.10% p.a. and CHF 60 mn at 3.21%).

6. Other short-term liabilities

(in CHF 1 000)

Other short-term liabilities comprise the following:

	12/31/2008	12/31/2007
Payables to the asset manager	75	237
Payables to the Board of Directors	113	156
Payables to the market maker	61	153
Total liabilities to related parties	**249**	**546**
Accrued interest mandatory convertible bond BB BIOTECH	6 626	6 903
Other liabilities	491	939
Total liabilities to third parties	**7 117**	**7 842**
	7 366	**8 388**

Liabilities to related parties represent unpaid fees, commissions as well as administration and legal costs.

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.

As at December 31, 2008, there is no nettable loss carry forward (2007: none).

8. Shareholders' equity

The share capital of the Company consists of 20.25 mn fully paid registered shares (2007: 22.5 mn bearer shares) with a par value of CHF 1 each (2007: CHF 1). On April 4, 2008, a resolution was passed at the Annual General Meeting to convert the bearer shares into registered shares at a ratio 1:1. From April 22, 2008, on, only registered shares will be traded on the stock exchanges. CHF 4.5 mn of the additional paid-in capital (2007: CHF 4.78 mn) are undistributable.

	Par value per share in CHF	Nominal value of the share capital in CHF 1000	Number of shares	Treasury shares number	Outstanding shares number
January 1, 2007	**1**	**23 900**	**23 900 000**	**2 163 705**	**21 736 295**
Capital reduction		(1 400)	(1 400 000)	(1 400 000)	
Purchases of treasury shares at an average price of CHF 96.80				9 211 918	(9 211 918)
Sales of treasury shares at an average price of CHF 97.05				(7 346 775)	7 346 775
December 31, 2007	**1**	**22 500**	**22 500 000**	**2 628 848**	**19 871 152**
January 1, 2008	**1**	**22 500**	**22 500 000**	**2 628 848**	**19 871 152**
Capital reduction		(2 250)	(2 250 000)	(2 250 000)	
Purchases of treasury shares at an average price of CHF 81.57				4 715 145	(4 715 145)
Sales of treasury shares at an average price of CHF 83.15				(1 110 355)	1 110 355
Exercise convertible bond				(61 221)	61 221
December 31, 2008	**1**	**20 250**	**20 250 000**	**3 922 417**	**16 327 583**

As at December 31, 2008, there exists an authorized capital of CHF 10.6 mn (2007: CHF 10.6 mn) as well as a conditional capital of CHF 10.6 mn (2007: CHF 10.6 mn). The conditional capital consists of a tranche of CHF 5.3 mn in order to the exercise of option bond rights and a tranche of CHF 5.3 mn in order to the exercise of convertible and option bond rights granted in the past or in future in connection with bond obligations or other financial market instruments of the Company.

At the General Shareholders' Meeting held April 4, 2008, a resolution was approved to reduce the Company's share capital by CHF 2 250 000 to a current level of CHF 20 250 000. On August 21, 2008, 2 250 000 registered shares at a par value of CHF 2 250 000 were withdrawn from the commercial register: the capital reduction has thus been concluded.

At the General Shareholders' Meeting held March 26, 2007, a resolution was approved to reduce the Company's share capital by CHF 1 400 000 to a current level of CHF 22 500 000. On July 30, 2007, 1 400 000 bearer shares at a par value of CHF 1 400 000 were withdrawn from the commercial register; the capital reduction has thus been concluded.

Since the Company's treasury shares are already deducted from shareholders' equity at the time of redemption in accordance with the International Financial Reporting Standards (IFRS), the capital reductions had no impact whatsoever on the net asset value of the Group.

The principal activity of the Group is to invest in marketable securities for the purpose of capital appreciation.

9. Administrative expenses

(in CHF 1 000)

Administrative expenses comprise the following:

	2008	2007
Fund manager		
– Fixed fees portion	6 490	8 767
– Performance related fee	–	17 384
Board of Directors remuneration		
– Fixed fees portion	649	877
– Performance related fee	–	1 738
– Social security employer's contribution	46	174
	7 185	**28 940**

Detailed information regarding the remuneration model for the Board of Directors and the asset manager are mentioned under note 17 "Related party transactions".

10. Other expenses

(in CHF 1 000)

Other expenses comprise the following:

	2008	2007
Bank charges	2 141	2 428
Financial reporting and Annual General Meeting	2 751	2 670
Other expenses	1 541	2 270
	6 433	**7 368**

11. Earnings per share

	2008	2007
Net gain/(loss) for the year in CHF 1 000	45 353	(265 412)
Weighted average number of shares in issue	17 700 242	21 278 496
Gain/(loss) and diluted gain/(loss) per share in CHF	**2.56**	**(12.47)**

At December 31, 2008, there were no potential issues of registered shares which would lead to a dilution (2007: none).

12. Information by geographical area

(in CHF 1 000)

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	12/31/2008	12/31/2007
USA	998 189	1 249 613
Switzerland	589 773	649 908
France	11 594	18 207
Ireland	9 629	124 499
Germany	6 951	18 942
Italy	3 040	15 590
Great Britain	–	223
	1 619 176	**2 076 982**

The geographical analysis of the operating income before tax is as follows:

Operating income before tax	2008	2007
Switzerland	50 183	(25 067)
USA	29 235	(218 149)
Germany	18 139	(5 174)
Great Britain	6 460	4
France	(6 613)	(11 216)
Curaçao	(8 482)	(28 699)
Italy	(12 996)	(11 257)
Ireland	(30 509)	34 260
	45 417	**(265 298)**

13. Assets pledged

The securities are a collateral for a credit line of CHF 250 mn and USD 140 mn (2007: CHF 250 mn and USD 140 mn). At December 31, 2008, the Group has claimed no credits (2007: CHF 190 mn).

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

The Group had no commitments or other off-balance sheet transactions open at December 31, 2008 (2007: 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, 2008, no proceedings existed which could have any effect on the financial position of the Group (2007: none).

15. Financial risk management

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 fulfill all necessary obligations that result from these businesses, and especially arrange all necessary security.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amount in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The Group maintains business relations only with counterparties with a high credit rating. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Other assets consist of prepayments. The Group's credit positions, if any, are monitored on a daily basis by the asset manager and are reviewed on a monthly basis by the Board of Directors.

Market risks

Risk associated with changing market prices

Due to its business activity and the resulting high portion of marketable securities in relation to total assets, the Group is exposed to market price risk arising from uncertainties and fluctuations on the financial and foreign exchange markets. Generally, no hedging is made to cover positions in foreign currency. The Group 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. The Groups's marketable securities positions are monitored on a daily basis by the asset manager and are reviewed on a monthly basis by the Board of Directors.

The annual volatility of registered shares BB BIOTECH AG (reference volatility for the marketable securities) for 2008 is 29.71% (2007: 17.45%). At December 31, 2008, had the value of marketable securities increased or decreased by 29.71% (2007: 17.45%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 471.6 mn (2007: CHF 355.4 mn).

Interest risk

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

Short-term borrowings from banks, if any, 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. The majority of the Groups's marketable securities are non-interest bearing; as a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The Group's interest sensitivity is monitored on a daily basis by the asset manager and reviewed on a monthly basis by the Board of Directors.

Currency risk

The Group holds assets denominated in currencies other than the Swiss Franc, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. Generally no hedging is made. The tables below summarizes the Groups's exposure to currency risks.

Concentration of assets and liabilities under US Dollar (in CHF 1 000):

	2008	2007
Assets		
Liquid funds	1 616	3 490
Receivables from brokers	–	4 305
Marketable securities	1 006 841	1 369 750
Total	**1 008 457**	**1 377 545**

The annual volatility of USD/CHF for 2008 amounts to 15.14% (2007: 6.92%). At December 31, 2008, had the exchange rate between USD/CHF increased or decreased by 15.14% (2007: 6.92%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 152.7 mn (2007: CHF 95.3 mn).

Concentration of assets and liabilities under Euro (in CHF 1 000):

	2008	2007
Assets		
Liquid funds	3 597	4 445
Marketable securities	14 418	33 219
Liabilities		
Payables to brokers	–	179
Other short-term liabilities	–	36
Total	**18 015**	**37 449**

The annual volatility of EUR/CHF for 2008 amounts to 8.71% (2007: 3.89%). At December 31, 2008, had the exchange rate between EUR/CHF increased or decreased by 8.71% (2007: 3.89%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 1.6 mn (2007: CHF 1.5 mn).

The Group's currency position is monitored on a daily basis by the asset manager and is reviewed on a monthly basis by the Board of Directors.

Liquidity risk

The Group invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Group's treasury shares, with the exception of shares purchased under a share-buy-back program, are considered readily realizable as they are listed on various stock exchanges. The Group invests a minor part of its portfolio in marketable securities, which are not traded on a stock exchange and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these instruments.

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date (in CHF 1 000):

At December 31, 2007	Less than 1 month	1–3 months	More than 3 months/ no stated maturity
Short-term borrowing from banks	190 000	–	–
Payables to brokers	179	–	–
Other short-term liabilities	7 744	644	–
Tax accrual	–	–	204
Convertible bond BB BIOTECH	–	–	200 000
Liability from options	–	–	6 889
Total liabilities	**197 923**	**644**	**207 093**

At December 31, 2008	Less than 1 month	1–3 months	More than 3 months/ no stated maturity
Other short-term liabilities	6 943	423	–
Marketable securities short	–	977	–
Tax accrual	–	–	207
Convertible bond BB BIOTECH	192 525	–	–
Liability from options	5 747	–	–
Total liabilities	**205 215**	**1 400**	**207**

The Group's liquidity position is monitored on a daily basis by the asset manager and is reviewed on a monthly basis by the Board of Directors.

Diversification

As a rule, the securities portfolio consists of four to eight core holdings as well as ten to twenty minor ones. The maximum share of companies without a stock-market listing is 10%.

As per December 31, 2008, the Group held five core investments, representing 86% of the portfolio. The portfolio is – in line with the strategy – concentrated on a limited number of investments. Risk diversification is therefore bounded.

Fair values

As at December 31, 2008, and December 31, 2007, the values in the balance sheet of liquid funds, other assets, short-term borrowings from banks and other short-term liabilities 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 "Marketable securities".

16. Financial assets and liabilities

Financial assets and liabilities are allocated to categories as follows:

At December 31, 2007	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per balance sheet			
Liquid funds	10 873	–	10 873
Receivables from brokers	5 949	–	5 949
Marketable securities	–	2 036 554	2 036 554
Other assets	23 606	–	23 606
	40 428	**2 036 554**	**2 076 982**

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Short-term borrowings from banks	–	190 000	190 000
Payables to brokers	–	179	179
Other short-term liabilities	–	8 388	8 388
Convertible bond	–	104 338	104 338
Liability from options	–	6 718	6 718
	–	**309 623**	**309 623**

At December 31, 2008	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per balance sheet			
Liquid funds	12 454	–	12 454
Receivables from brokers	1	–	1
Marketable securities	–	1 588 294	1 588 294
Other assets	18 427	–	18 427
	30 882	**1 588 294**	**1 619 176**

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as per balance sheet			
Other short-term liabilities	–	7 366	7 366
Marketable securities short	977	–	977
Convertible bond	–	100 070	100 070
Liability from options	–	5 747	5 747
	977	**113 183**	**114 160**

Profit and loss from finacial assets and liabilities are allocated to categories as follows:

2007	Loans and receivables	Financial instruments at fair value through profit or loss	Other financial liabilities	Total
Profit and loss from financial instruments				
Interest income	275	–	–	275
Dividend income	–	983	–	983
Loss from marketable securities	–	(211 911)	–	(211 911)
Interest expenses	–	–	(13 621)	(13 621)
Foreign exchange losses net	(797)	–	–	(797)
Commissions paid	–	–	(3 920)	(3 920)

2008	Loans and receivables	Financial instruments at fair value through profit or loss	Other financial liabilities	Total
Profit and loss from financial instruments				
Gains from marketable securities	–	72 730	–	72 730
Interest income	183	–	–	183
Dividend income	–	895	–	895
Interest expenses	–	–	(11 401)	(11 401)
Foreign exchange losses net	(3 384)	–	–	(3 384)

17. Related party transactions

Purchases and sales of shares traded in Switzerland are partly processed and settled via Bank am Bellevue. The transactions in question are based on common contractual forms in the sector and are concluded subject to market terms and conditions. In addition, Bank am Bellevue was mandated with a market making mandate. The commissions for these transactions amount to 0.2%. The administration and legal costs incurred at Bellevue Asset Management Group amounting to CHF 272 467 (2007: 237 314) were charged to the BB BIOTECH Group. The amounts outstanding at the balance sheet date are disclosed in note 6 "Other short-term liabilities".

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 asset manager. Detailed information about the remuneration to the Board of Directors are mentioned on page 59 under note 2.1 "Remuneration to the Board of Directors and the asset 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 SIX Swiss 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 to the value on which the last performance-related pay component was paid, 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 (March 31, 2009) the hurdle rates for payment of a performance-related fee will be as follows:

– 70.1% of the shares	CHF 110.23
– 14.4% of the shares	CHF 112.65
– 3.6% of the shares	CHF 116.67
– 6.1% of the shares	CHF 251.89
– 5.8% of the shares	CHF 259.38

On April 4, 2008, a resolution was passed at the General Shareholders' Meeting to pay out a dividend of CHF 0.90 per registered share; the payout in question was made on April 7, 2008. Subsequently, the levels at which performance-related compensation is to be paid were also adjusted downward by CHF 0.90 as at April 7, 2008.

The remuneration model is determined by the Board of Directors and has not been amended since the Company was founded.

18. Significant shareholders

The Board of Directors is aware of the following major shareholders with a holding exceeding 5% of all votes as of December 31, 2008: Bellevue Group, Küsnacht.

19. Partially mandatorily convertible bond issue

BB BIOTECH AG, Schaffhausen, has concluded the following capital market transaction:

Coupons:	3.50%
Conversion price:	CHF 85.30 (dividend adjusted)
Pricing and allocation:	12/16/2005
Payment date:	01/06/2006
Maturity:	3 years
Final redemption:	01/06/2009
Mandatory conversion:	As at January 6, 2009, a mandatory conversion will take place of up to 50% of the bonds originally issued.
Delivery of shares:	Treasury shares and / or from conditional capital of BB BIOTECH AG at the discretion of the issuer.

The above list is not exhaustive. For detailed information, please refer to the prospectus on the 3.5% partially mandatory convertible bond 2006–2009. The prospectus can be obtained from the Company free of charge.

In accordance with the International Financial Reporting Standards (IFRS), the convertible bond issue was divided up into an equity and a liability portion. The liability portion represents the net present value of the future obligations and is reported in the balance sheet under the item "convertible bond." The liability portion was determined using the discounted-cash-flow method at an interest rate of 2.5 %. Taking the transaction costs into account, the equity portion represents the difference of the issue volume in relation to the borrowed portion. The commissions, totaling CHF 3 mn, were charged to equity and to the income statement in relation to the mandatory convertible portion. At December 31, 2008, CHF 7.5mn have been early converted into shares (2007: none).

The fair value of the liability component at December 31, 2008, amounted to CHF 100.1 mn (2007: 102.8 mn). The fair value is calculated using the discounted-cash-flow method at a rate based on the borrowing rate of 3.5% (2007: 4.0%).

In order to cover its delivery commitment under the mandatorily convertible bond, BB BIOTECH AG has acquired 1.11 mn call options with a strike of CHF 5.30 (dividend adjusted), maturity January 6, 2009. The call options, in conjunction with the delivery commitment, were reported under equity in accordance with the International Financial Reporting Standards (IFRS). The present value of the payment due at maturity in conjunction with the exercise of the call options is reported in the balance sheet under the heading "Liability from options". There is no option for cash settlement. At December 31, 2008, 26 394 options have been exercised to cover the early conversions of the convertible bond.

20. SWAP agreement

In connection with a sale of 2 060 000 treasury shares, the Group signed a SWAP agreement due May 18, 2012, which enables the Group to participate in the upside potential in a rising market. Thereby, the following parameters were defined:

– Minimum exchange price: CHF 95.29
– Maximum exchange price: CHF 114.35

If the share price is less than the maximum exchange price but greater than the minimum exchange price on valuation day, the following formula will apply: minimum exchange price/share price.

If the share price is greater than the maximum exchange price on valuation day, the following formula will apply: minimum exchange price/maximum exchange price.

The underlying 2 055 014 shares BB BIOTECH AG (dividend adjusted) of this transaction will be multiplied with the calculated ratio. The difference between the calculated number of shares and the 2 055 014 treasury shares sold will be refunded to the Group (cash or physical settlement).

21. Subsequent events

There have been no events subsequent to December 31, 2008, which would affect the financial statements 2008. On January 6, 2009, the convertible bond was repaid according to the terms of the prospectus.

22. Restatement of comparative figures as at Dezember 31

In the previous year, the interest payment of the convertible bond was accidently stated as cash flow from operating activities instead of cash flow from financing activities. This error was restated in the previous year's figures as follows:

	2007 published	Correction	2007 restated
Interest payments	(13 904)	7 000	(6 904)
Total cash flows from operating activities	**201 017**		**208 017**
Interest payment convertible bond BB BIOTECH	–	(7 000)	(7 000)
Total cash flows from financing activities	**(201 538)**		**(208 538)**

Additionally, the other assets have not been split in a current and non-current portion in the previous year. This error was restated in the previous year's figures as follows:

	2007 published	Correction	2007 restated
Other assets	23 606	(18 406)	5 200
Current assets	**2 076 982**		**2 058 576**
Other assets	–	18 406	18 406
Fixed assets	**–**		**18 406**

Report of the statutory auditors
to the general meeting of
BB BIOTECH AG
Schaffhausen

As statutory auditors, we have audited the consolidated financial statements of BB BIOTECH AG, which comprise the balance sheet, statement of income, statement of changes in equity, cash flow statement and notes (pages 32 to 53), for the year ended December 31, 2008.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2008 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 the accounting provisions as contained in the Additional Rules for the Listing of Investment Companies of the SIX Swiss Exchange as well as Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Thomas Romer
Audit expert
Auditor in charge

Adrian Keller
Audit Expert

Zurich, February 24, 2009

Balance sheet as at December 31

(in CHF 1 000)

Assets	Notes	2008	2007
Current assets			
Liquid funds		1 131	326
Marketable securities		205 409	141 098
Other receivables			
– Third parties		20	16
		206 560	**141 440**
Fixed assets			
Financial fixed assets			
– Investments		1 177 070	1 177 070
		1 177 070	**1 177 070**
Total assets		**1 383 630**	**1 318 510**

Liabilities and shareholders' equity	Notes	2008	2007
Current liabilities			
Other current liabilities			
– Third parties		7 168	6 901
– Related parties		249	384
– Group companies		716 483	501 958
Convertible bond		192 525	–
Accrued expenses		–	1 048
		916 425	**510 291**
Long-term liabilities			
Convertible bond		–	200 000
		–	**200 000**
Shareholders' equity			
Share capital		20 250	22 500
Legal reserves			
– General reserve		4 500	4 780
– Reserve for treasury shares		335 995	257 479
Other reserves		50 720	318 893
Retained earnings	3	55 740	4 567
		467 205	**608 219**
Total liabilities and shareholders' equity		**1 383 630**	**1 318 510**

On February 24, 2009 BB BIOTECH AG's Board of Directors authorized these financial statements for issue.

Statement of income for the year ended December 31

(in CHF 1 000)

	2008	2007
Operating income		
Dividend income	100 000	–
Interest income	12	6
Other income	12 301	15 639
	112 313	**15 645**
Operating expenses		
Administrative expenses	694	2 789
Loss from securities	47 767	–
Interest expense	7 259	7 514
Other expenses	3 932	4 249
	59 652	**14 552**
Operating income before tax	**52 661**	**1 093**
Taxes	(21)	(68)
Net income for the year	**52 640**	**1 025**

1. Notes in accordance with Articles 663b, 663b^{bis} and 663c of the Swiss Code of Obligations

1.1 Guarantee

BB BIOTECH has provided a guarantee of CHF 250 mn and USD 140 mn to banks relating to credit lines granted to its subsidiaries (2007: CHF 250 mn and USD 140 mn).

At December 31, 2008, no credits are claimed (2007: CHF 190 mn). No marketable securities (2007: 1 635.8mn) are pledged to secure those credits.

1.2 Significant investments

Company	Capital in CHF 1000	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 Treasury shares

	Amount of shares
Balance at January 1, 2008	**2 628 848**
Capital reduction	(2 250 000)
Purchases at an average price of CHF 81.57	4 715 145
Sales at an average price of CHF 83.15	(1 110 355)
Excercise convertible bond	(61 221)
Balance at December 31, 2008	**3 922 417**

The treasury shares are partly held by BB BIOTECH AG, Schaffhausen directly and indirectly through a wholly owned subsidiary.

At the General Shareholders' Meeting held April 4, 2008, a resolution was approved to reduce the Company's share capital by CHF 2 250 000 to a current level of CHF 20 250 000. On August 21, 2008, 2 250 000 shares at a par value of CHF 2 250 000 were withdrawn from the commercial register; the capital reduction has thus been concluded.

1.4 Capital increase

	12/31/2008 CHF 1 000	12/31/2007 CHF 1 000
Authorized capital	10 600	10 600
Conditional capital	10 600	10 600

The Board of Directors was authorized at the General Meeting of shareholders on March 26, 2007, to increase the share capital by an authorized share capital increase of CHF 10.6 mn at most until March 26, 2009, and a conditional share capital increase of CHF 10.6 mn at most. Since the General Meeting of shareholders 2007, the Board of Directors has not increased the share capital.

1.5 Information to the execution of a risk assessment

The Board of Directors performs annually a risk assessment of business risks. The identified risks are captured in the risk matrix and if necessary, safeguards to reduce these risks are documented. If the risk exposure after safeguards for a specific risk is still HIGH, an action plan to reduce the risk is prepared. HIGH rated risks are monitored on a regular basis. The chairman of the board is responsible for the risk assessment.

2. Other information

2.1 Remuneration to the Board of Directors and to the asset manager

The Board of Directors remuneration comprised the following (in CHF 1 000):

2007	Remuneration in cash	Social security employer's contribution	Total remuneration
Prof. Dr. med. Thomas Szucs, Chairman	1 033	92	1 125
Prof. Dr. David Baltimore, Vice Chairman	837	–	837
Dr. Clive Meanwell	919	82	1 001
	2 789	**174**	**2 963**

2008	Remuneration in cash	Social security employer's contribution	Total remuneration
Prof. Dr. med. Thomas Szucs, Chairman	233	23	256
Prof. Dr. David Baltimore, Vice Chairman	208	–	208
Dr. Clive Meanwell	208	22	230
	649	**45**	**694**

Being a pure holding Company, the Group does not have a management of its own. Asset Management BaB N.V., Curaçao, the Group's asset manager on a mandate basis, received a total remuneration of CHF 6.8 mn (2007: 26.4 mn). The total remuneration 2008 comprised a fixed fee portion of CHF 6.5 mn (2007: 8.8 mn), no performance related fee (2007: 17.4 mn) and other expenses of CHF 0.3 mn (2007: 0.2 mn).

2.2 Statement of holdings of the Board of Directors

As at December 31, the Board of Directors held the following registered shares BB BIOTECH AG:

	2008	2007
Prof. Dr. med. Thomas Szucs, Chairman	1 650	1 650
Prof. Dr. David Baltimore, Vice Chairman	–	–
Dr. Clive Meanwell	–	3 500

2.3 Significant shareholders

The Board of Directors is aware of the following major shareholders with a holding exceeding 5 % of all votes as of December 31, 2008: Bellevue Group, Küsnacht.

3. Movements on retained earnings

(in CHF 1 000)

	2008	2007
Retained earnings at the beginning of the year	4 567	2 418
Appropriation of other reserves	15 000	46 000
Dividend	(16 467)	(44 876)
Net income for the year	52 640	1 025
Retained earnings at the end of the year	**55 740**	**4 567**

Proposal of the Board of Directors for the appropriation of retained earnings

(in CHF 1 000)

	2008 Proposal of the Board	2007 Resolution passed at the AGM
Retained earnings	55 740	4 567
Appropriation of other reserves	–	15 000
Retained earnings at the disposal of the Annual General Meeting	**55 740**	**19 567**
Dividend	36 450	16 467
Carry forward to the next period	19 290	3 100
	55 740	**19 567**

Report of the statutory auditors
to the general meeting of
BB BIOTECH AG
Schaffhausen

As statutory auditors, we have audited the financial statements of BB BIOTECH AG, which comprise the balance sheet, income statement and notes (pages 56 to 60), for the year ended December 31, 2008.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Romer
Audit expert
Auditor in charge

Adrian Keller
Audit expert

Zurich, February 24, 2009

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 to refer to the relevant pages in this report or to our website, www.bbbiotech.com.

1. Group structure and shareholdership

Please refer to 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. Information on key stock-holders is listed under Note 18 to the consolidated annual financial statements.

2. Capital structure

Please refer to Note 2 of the consolidated annual financial statements and "Shareholder information" on page 66. The terms and conditions relating to authorized capital are available on our website.

3. Board of Directors

3.1 Members, first election, nationality and stock holding

- Prof. Dr. med. Thomas D. Szucs (2003), Chairman (2004), Switzerland, 1 650 shares (dito as at 09/30/2008).
- Prof. Dr. David Baltimore (1993), Vice Chairman (2004), USA, no shares (dito as at 09/30/2008).
- Dr. Clive Meanwell (2004), no shares (3 500 shares as at 09/30/2008).

The Board members have no executive functions, neither today nor in the last three years. Moreover, no business relations are in place between the Board members and BB BIOTECH. Detailed resumes available from our website.

3.2 Further mandates of the Board members

Dr. Thomas D. Szucs is Co-Chairman of the European Center of Pharmaceutical Medicine and Chairman of the board of directors of BioXell. Dr. Clive Meanwell is Executive Chairman of the board of directors and Director of The Medicines Company as well as member of the board of directors of Endo Pharmaceuticals. Prof. Dr. David Baltimore is member of the board of Amgen.

3.3 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.

3.4 Internal organization

Chairman, Vice-Chairman and members, no committees. The Board of Directors meets at least once per month via video or telephone conference; in addition, two strategy weeks are organized each year. These meetings are attended by representatives of the asset manager commissioned. See also "Investment strategy," page 16.

3.5 Director's dealing

BB BIOTECH publishes each purchase/sale of BB BIOTECH AG stocks by members of the Board of Directors, of the management as well as by first-degree relatives of such persons and which exceeds the amount of EUR 5 000 within three trading days. This information is made available for 30 days on our website.

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 in terms of the management fee. The mandate agreement is valid for an indefinite period and may be terminated by either party subject to twelve months' notice. Detailed information on this mandate (issuing prospectus) and the members of the management involved is available from the website.

5. Remuneration

See Note 9 and 17 of the consolidated financial statements and Note 2 of the financial statements of BB BIOTECH AG for details relating to remuneration. The remuneration model is defined by the Board of Directors but has remained unchanged since the Company was founded.

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

Since 2004 a dividend is paid out which is linked to the discount of the share price to the net asset value.

The following model is used to this end:
if the discount amounts to

5 – ≤10%: 1% of the net asset value at year-end
>10 – ≤15%: 2% of the net asset value at year-end
>15 – ≤20%: 3% of the net asset value at year-end
>20%: 4% of the net asset value at year-end

The discount on which the resolution is based is calculated according to the average discount of daily closing prices from January 1 through December 31 of the respective fiscal year. Generally, the dividend is paid out in cash. The dividend proposed for the 2008 fiscal year amounts to CHF 1.80.

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 1994, PricewaterhouseCoopers AG have been the official auditors and group auditors of BB BIOTECH AG. The lead auditor, Thomas Romer, has been responsible for auditing the Company's books since fiscal 2008.

8.2 Fees

The following fees for professional services in the year ended December 31, 2008, were invoiced using an accruals basis: audit fees (including interim audits) PricewaterhouseCoopers: CHF 151 250.

8.3 Instruments 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. The auditors attend at least one meeting of the Board of Directors per year.

9. Information policy/diary of Company events

Please refer to "Shareholder information" at page 66.

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. BB BIOTECH's maximum holding of own stocks is 10%. According to Art. 659 para 1 OR (Swiss Code of Obligations) the company can purchase up to 10% of the issued shares. In addition, the AGM approved a share-buy back program of 10% for the purpose of capital reduction.

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 in Switzerland, December 10, 1997 in Germany, October 19, 2000 in Italy
Share structure:	CHF 22.5 mn nominal, 22 500 000 registered shares with a par value of CHF 1
Authorized capital:	CHF 10.6 mn
Conditional capital:	CHF 10.6 mn
Shareholders, free float:	Institutional and private investors. 95% free float (1 investor over 5%).
Security number Switzerland:	3 838 999
Security number in Germany and Italy:	AONFN3
ISIN:	CH0038389992
Convertible bond 3½% 2006–2009:	Security number: 2 355 519, ISIN CH0023555193 (Quote: Bloomberg BIO06 Corp.)

Corporate calendar 2009

Annual General Meeting 2009:
March 30, 2009, 2 PM MEZ,
Lake Side Casino Zürichhorn,
Bellerivestrasse 170,
CH-8008 Zürich

Quarterly Report as at March 31, 2009:
April 28, 2009, 07.30 AM CET

Interim Report as at June 30, 2009 :
July 30, 2009, 7.30 AM CET

Quarterly Report as at September 30, 2009:
October 29, 2009, 7.30 AM CET

Shareholder information

The Company publishes its net asset value daily via the major stock market information services and on its website www.bbbiotech.com. The portfolio composition is published at least 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**	– Datastream: S:BINA	**in EUR**	– Datastream: D:BBNA
		– Reuters: BABB		– Reuters: BABB
		– Telekurs: BIO resp. 85, BB1 (Investdata)		– Frankfurter Allgemeine Zeitung (D): 2x weekly
		– Finanz & Wirtschaft (CH), M2: 2x weekly		
Stock price:	**in CHF (SWX)**	– Bloomberg: BION SW Equity	**in EUR (Xetra)**	– Bloomberg: BBZA GY Equity
		– Datastream: S:BIO		– Datastream: D:BBZ
		– Reuters: BION.S		– Reuters: BION.DE
		– Telekurs: BIO	**in EUR (STAR)**	– Bloomberg: BB IM Equity
				– Datastream: I:BBB
				– Reuters: BIO.MI

BB Stock Plan

The BB Stock Plan enables investors with a long-term perspective to hold/acquire BB BIOTECH bearer shares without having to pay substantial commissions or custody fees.
Detailed information: BB Stock Plan, c/o SAG SIS Aktienregister AG, P.O. Box, CH-4609 Olten, Phone +41 62 311 61 44, www.bbbiotech.com

BBBIOTECH

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ADHD: (Attention Deficit Hyperactivity Disorder) Attention disorder with or without hyperactivity.

AIDS: (Acquired Immunodeficiency Syndrome) Acquired immunodeficiency due to a chronic infection with the Human Immunodeficiency Virus (HIV).

Alzheimer: Alzheimer's disease is a chronic, non-infectious disease of the brain in which nerve cells die off slowly but steadily.

Antibodies (immunoglobulins): A class of proteins called globulins which support the immune system.

Arteriosclerosis: A systemic disease of the arteries that leads to deposits of blood fats, clots, connective tissue and calcium carbonate in the vessel walls (arteriosclerosis).

Blockbuster: A drug that generates more than USD 1 bn in sales.

Calcium antagonists: Drug to lower blood pressure.

Chromosome anomaly: Malformations of the chromosomes, which contain the genes (hereditary information).

Cystic fibrosis: A congenital metabolic disease of genetic origin. Condition in which viscous secretions are produced in the lungs, pancreas, small intestine, bile ducts and sweat glands, and are difficult to be cleared out.

Endothelin: Hormone that causes narrowing of the arteries.

Enzyme: Biocatalyst, usually a protein that makes vital processes possible. E. g.: digestive enzymes.

Epogen: Recombinant erythropoietin; this protein regulates the production of red blood cells and decreases blood transfusion requirements for hemodialysis patients.

FDA: Food and Drug Administration. US authority for the approval of new medicines.

Genome: Genome means the totality of genetic material in a cell or an organism.

Hematology: Hematology is the study of blood diseases.

Hepatitis B: Liver inflammation caused by viruses. Most adult patients with hepatitis B recover completely. However, 5–10% of cases become chronic and can lead to liver cirrhosis or cancer.

Hepatitis C: Acute inflammation of the liver caused by hepatitis C virus. Hepatitis C is the most frequent form of liver inflammation transmitted by blood transfusion, and accounts for approximately 90% of posttransfusion liver inflammations.

HIV: (Human Immunodeficiency Virus) is the virus which causes AIDS.

Inhibitor: Inhibits or delays enzyme reactions.

Leucoencephalopathy (PML): (Progressive multifocal leukoencephalopathy) A viral infection of the brain in which the virus affects certain brain cells. When these cells die, the transmission of nerve signals is also interrupted. Several regions of the brain are usually affected at the same time (multifocal), and the process continues (progressive) until frequently an entire half of the brain is damaged.

Leukemia: Most common form of blood cancer; proliferation of white blood cells.

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.

Mucopolysaccharidosis type 1: This illness is one of the rare hereditary lysosomal storage disorders. Through a genetic enzyme defect it leads to a deficiency of the lysosomal enzyme alpha-L-iduronidase. This enzyme is required to break down GAG (glycosaminoglycans). As more and more GAG builds up in a person's body, almost all organs can be irreversibly damaged.

Multiple myeloma: A malignant disease of the B cells that is characterized by infiltration of the hematopoietic bone marrow by malignant plasma cells. Frequently reported symptoms include bone weakness, fractures and a deficiency of red and white blood cells.

Multiple sclerosis: Chronic disease of the central nervous system in which the body's own immune system attacks the sheaths of the nerve fibres.

Nephropathy: Medical term for diseases of the kidney or disorders of renal function.

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

Nucleoside reverse transcriptase inhibitor: (NRTI) A drug that blocks the transcription of viral RNA into DNA and so prevents the multiplication of retroviruses such as AIDS.

Off-label use: Use of an approved drug for purposes other than those for which the drug has been approved.

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.

Orexins: Hormones that have a stimulant effect on certain areas of the brain (e. g. appetite and growth).

Osteoporosis: Loss of bone tissue, especially after the age of sixty. The bones become more brittle.

Proof-of-concept: A feasibility study, i.e. a milestone that proves the basic viability of a project or plan.

PTH: (Parathyroid) Hormone formed by the adrenal gland. This hormone affects the balance between calcium and phosphorous, especially during bone formation.

Pulmonary arterial hypertension: (PAH) High lung pressure.

Renin inhibitors: Renin is an enzyme which starts the initial step of blood pressure-regulating metabolic cascade. A renin inhibitor blocks this metabolic cascade.

Rheumatoid arthritis: Systemic autoimmune disease that attacks the joints. This leads to pain, swelling, stiffness and gradual destruction and immobility of the joints.

RNA: Nucleic acid that occasionally acts as a carrier of genetic material in living cells instead of DNA. In the majority of living creatures, however, RNA plays a subordinate role to DNA as information carrier.

Stem cells: Master cells with the ability to differentiate into a number of different cell types or tissues. A distinction is made between embryonic stem cells and the adult stem cells found in tissues or organs.

Subarachnoid hemorrhage (SAH): A subarachnoid hemorrhage is a serious, potentially life-threatening condition. It happens when an artery close to the brain surface ruptures. Blood leaks out into the space between the membranes that cover the brain and spinal chord. The cause is usually the bursting of a dilated cerebral vessel (aneurysm).

Clinical studies and approval procedures are carried out in three phases:

Phase I: First trial on humans. Serves to determine side effects, pharmacokinetics, metabolism, biodistribution and elimination of a substance; normally with 5 to 50 healthy volunteers.

Phase II: Determination of optimal dose and side effects (and first determination of efficacy); normally 50 to 200 patients.

Phase III: Statistical determination of efficacy and side effects, may also include interactions with other substances; normally with 100 to over 1000 patients, depending on the indication. For marketing authorization in the USA, data from preclinical and clinical studies and information on the manufacturing process are submitted to the medicines authority FDA in the form of an application for authorization for a new substance (NDA) or the issue of a product licence (BLA). An expert committee checks these data and makes a recommendation on authorization. The FDA then decides on marketing authorization based on this recommendation. In Europe, the authorization process moves in the same way, and the leading authority for this is the EMEA (European Agency for the Evaluation of Medicinal Products).