

Interim Report as at June 30, 2006

for the Shareholders of BB BIOTECH



BBBIOTECH

BB BIOTECH AG

Interim Report

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Letter to the Shareholders

Dear Shareholders

The biotech highlights of the first half of 2006 were the approvals of a number of important drugs. In particular, the renewed approval of Tysabri, Biogen Idec's new drug for treatment of multiple sclerosis, marked the compelling efficacy which is offered by a new generation of drugs developed by modern biotechnology. However, BB BIOTECH's share price closed at CHF 75.90, and BB BIOTECH's Net Asset Value (NAV) at CHF 84.40, down 4.6% (dividend-adjusted) since the beginning of the year. The decline was driven by the development of the USD/CHF exchange rate. In USD, shareholders' equity appreciated by 2.4%. BB BIOTECH's performance continues to compare favorably to industry benchmarks, and the company could solidify its market leading position in the sector.

Tysabri, the best-in-class drug for multiple sclerosis, developed and sold by our portfolio companies Biogen Idec and Elan Pharmaceuticals, will be commercially relaunched in the US and in the EU during the third quarter of 2006, under a strict safety monitoring plan to minimize the risk for PML (Progressive Multifocal Leukoencephalopathy) incidences. We expect many patients to embrace the new therapeutic opportunity and we expect the product to exceed financial market expectations in terms of sales.

Our core holding Celgene benefited from a strong launch of its new drug Revlimid for the treatment of Myelodysplastic Syndrome (MDS). In addition, on June 30, 2006, Revlimid was approved by the FDA for treatment of multiple myeloma. We continue to expect Revlimid to become the gold standard for the treatment of both of these diseases and we are looking forward to strong sales of Revlimid in the second half of 2006.

Our core positions Gilead and Actelion enjoyed healthy stock appreciation on the back of continued strong sales of their core products.

We increased our holdings in Genentech and Vertex significantly. We expect Genentech to benefit from increasing sales of a number of products, in particular from Avastin, Herceptin and Lucentis. While Avastin and Herceptin, both being leading drugs for treatment of cancer, have been already on the market for a while, the scope of the use of these drugs increases by adding new indications in which the drugs showed efficacy. Lucentis was approved on June 30, 2006, for treatment of age-related wet macular edema. Lucentis has shown in several clinical trials unprecedented efficacy in this difficult-to-treat disease. Patients, who were previously facing rapidly declining vision, can maintain or even improve their sight during treatment with Lucentis. Vertex has a strong position in the development of drugs for treatment of hepatitis C, which belong to a new class of drugs called protease inhibitors. Although Vertex's leading program VX-950 is still in an early phase of clinical development, its product characteristics are highly promising. It might be that a vast majority of the patients suffering hepatitis C can be cured in the future, using a significantly shortened treatment regime.

BioXell, in which we invested two years ago in a private round, went public on June 21, 2006. The IPO was enabled by Phase II results from its program Elocalcitol for treatment of overactive bladder. We will continue to invest in private companies, if and when valuations compare favorably.

In addition, we bought new positions in Roche, Onyx, Zymogenetics, Adolor, Arena and Anadys. Our investment in Roche, which used to be classified as a pharmaceutical company, is based on the potential of Roche's biotech products, in particular Avastin, CERA and Actemra. We divested our holdings in Sepracor, OSI Pharmaceuticals and Theravance to further develop our portfolio with the resources freed up by this.

For the balance of the year we expect strong sales from established and recently launched biotech drugs. The resulting earnings should illustrate and underline the compelling company valuations of the sector.

We thank you for your support.

The Board of Directors of BB BIOTECH AG

Prof. Dr. med. Thomas Szucs
Chairman

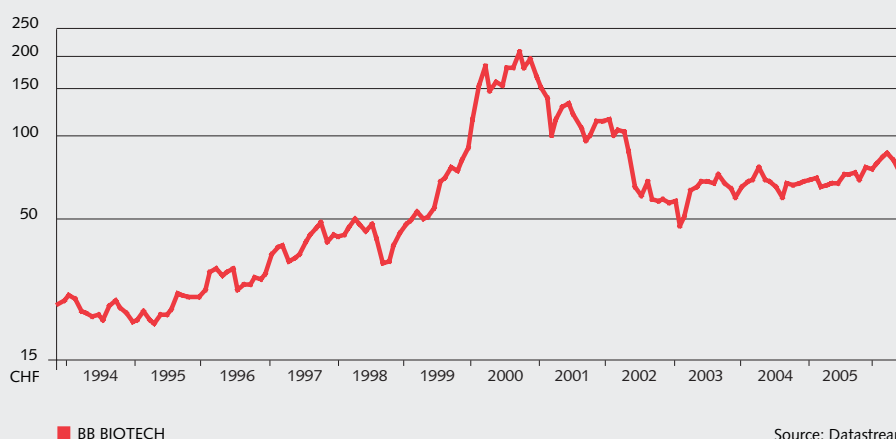
Prof. Dr. David Baltimore

Dr. Clive Meanwell

Key figures

Performance

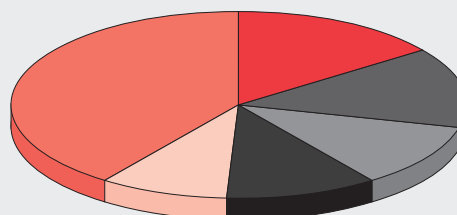
Bearer shares (Switzerland):	
12/31/2005–06/30/2006	-4%
Bearer shares (Germany):	
12/31/2005–06/30/2006	-5%
Bearer shares (Italy):	
12/31/2005–06/30/2006	-4%
Net Asset Value (in CHF):	
12/31/2005–06/30/2006	-5%
Performance since launch p.a.:	
11/15/1993–06/30/2006	+10%
Outperformance (Net Asset Value)	
vs. Nasdaq Biotech Index (NBI)	
since launch:	+105%



Performance dividend-adjusted

Portfolio as at 06/30/2006

Securities:	CHF 2 261 mn			
■ Celgene	15%	■ Biogen Idec	14%	
■ Gilead	11%	■ Actelion	11%	
■ Genentech	9%	■ Small participations	40%	



Multi-year comparison BB BIOTECH

	12 months	2005	2004	2003	2002
Market capitalization at end of period (in CHF mn)	1 950.6	2 068.9	1 796.4	1 750.0	1 579.0
Net Asset Value at end of period (in CHF mn)	2 019.1	2 279.9	1 914.4	1 939.2	1 765.3
Number of shares (in mn)	25.7	25.7	25.7	27.8	27.8
Trading volume (in CHF mn p.a.)	2 202.4	1 919.6	1 853.0	1 796.0	1 766.0
Profit/(loss) (in CHF mn)	144.6	318.0	202.8	179.3	(1 591.3)
Closing price at the end of the period in CHF	75.90	80.50	69.90	62.95	56.80
Closing price (D) at the end of the period in EUR	48.25	51.64	44.51	40.15	38.96
Closing price (I) at the end of the period in EUR	48.33	51.58	45.05	40.65	38.10
Stock performance in CHF (incl. dividend)	11.7%	19.5%	14.6%	10.8%	(54.8%)
High/low share price in CHF	88.80/68.50	82.35/64.70	79.80/58.70	74.75/47.00	125.75/49.80
High/low share price in EUR	56.65/44.00	53.00/41.51	51.20/37.90	48.40/31.66	83.50/33.60
Premium/(discount) (annual average)	(11.8%)	(12.7%)	(15.2%)	(18.8%)	(10.7%)
Dividend (in CHF)	nm	1.80	2.40	2.50	–
Degree of investment (quarterly figures)	104.1%	98.8%	97.8%	94.0%	90.3%
Total Expense Ratio (TER) p.a.	0.65%	0.64%	0.63%	0.64%	1.67%
– of which performance-related remuneration	0.00%	0.00%	0.00%	0.00%	1.10%

Participations as at June 30, 2006

Company	Number of securities	Change since 12/31/2005	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Celgene ¹⁾	5 850 000	(150 000)	USD	47.43	340.7	15.1%	16.9%	1.7%
Biogen Idec	5 497 000	497 000	USD	46.32	312.6	13.8%	15.5%	1.6%
Gilead	3 526 109	–	USD	59.16	256.1	11.3%	12.7%	0.8%
Actelion	2 000 000	200 000	CHF	123.20	246.4	10.9%	12.2%	8.9%
Genentech	2 050 000	1 110 000	USD	81.80	205.9	9.1%	10.2%	0.2%
Genzyme	1 822 200	222 200	USD	61.05	136.6	6.0%	6.8%	0.7%
Vertex Pharmaceuticals	3 000 000	1 900 000	USD	36.71	135.2	6.0%	6.7%	2.7%
Amgen	1 250 000	–	USD	65.23	100.1	4.4%	5.0%	0.1%
Roche Holding GS	384 577	384 577	CHF	202.10	77.7	3.4%	3.8%	<0.1%
The Medicines Company	2 842 197	(1 082 803)	USD	19.55	68.2	3.0%	3.4%	5.7%
Affymetrix	2 000 000	234 400	USD	25.60	62.9	2.8%	3.1%	3.0%
Elan	2 850 000	450 000	USD	16.70	58.4	2.6%	2.9%	0.7%
Onyx Pharmaceuticals	2 000 000	2 000 000	USD	16.83	41.3	1.8%	2.0%	4.8%
Zymogenetics	1 596 014	1 596 014	USD	18.97	37.2	1.6%	1.8%	2.4%
Basilea Pharmaceutica	200 000	200 000	CHF	177.50	35.5	1.6%	1.8%	2.7%
Adolor	1 000 000	1 000 000	USD	25.01	30.7	1.4%	1.5%	2.2%
BioXell ²⁾	475 519	98 018	CHF	44.70	21.3	0.9%	1.1%	9.1%
Cephalon	259 000	259 000	USD	60.10	19.1	0.8%	0.9%	0.4%
Incyte	3 000 000	–	USD	4.60	16.9	0.7%	0.8%	3.6%
Keryx Biopharmaceuticals	939 311	528 812	USD	14.20	16.4	0.7%	0.8%	2.2%
Arena Pharmaceuticals	1 000 000	1 000 000	USD	11.58	14.2	0.6%	0.7%	2.1%
Rigel Pharmaceuticals	1 000 000	150 000	USD	9.73	11.9	0.5%	0.6%	4.0%
Epigenomics	1 000 000	–	EUR	4.79	7.5	0.3%	0.4%	6.1%
Anadys Pharmaceuticals	2 000 000	–	USD	2.92	7.2	0.3%	0.4%	7.0%
Sepracor	–	(4 000 000)						
OSI Pharmaceuticals	–	(4 000 000)						
Theravance	–	(180 000)						
Auxilium Pharmaceuticals	–	(555 150)						
Total					2 260.2	99.9%	111.9%	
Derivatives								
Auxilium Pharmaceuticals warrants (long)	300 300	–	USD	4.16	1.5	0.1%	0.1%	
Roche GS put options (short)	(200 000)	(200 000)	CHF	1.56	(0.3)	<(0.1%)	<(0.1%)	
Actelion put options (short)	–	100 000						
Total					1.2	0.1%	0.1%	
Liquid funds					15.8	–	0.8%	
Other payables					(258.1)	–	(12.8%)	
Total					2 019.1	100.0%	100.0%	
BB BIOTECH bearer shares ³⁾	1 776 386	1 325 759	CHF		134.9			6.9%
Total					2 154.1			

¹⁾ Share split 2:1 as at February 27, 2006

²⁾ IPO at SWX Swiss Exchange with a reverse stock split 1:5 as at June 21, 2006

³⁾ Correspond to the total of all own shares held in Switzerland, Germany and Italy including the second trading line. Closing prices see page 5.

Exchange rates as at 06/30/2006:

USD/CHF: 1.2279

EUR/CHF: 1.5667



“I think the portfolio composition makes good sense since it exclusively considers companies that produce innovative, readily marketable medications with dominant market share”

Pharmacist Dr. Th. G. (52) from Frankfurt/Main has been a BB BIOTECH stockholder from the very beginning.

Consolidated semi-annual statement

Consolidated balance sheet (in CHF 1000)

Assets	06/30/2006	12/31/2005	Liabilities and shareholders' equity	06/30/2006	12/31/2005
Current assets			Current liabilities		
Liquid funds	5 042	1 166	Short-term borrowing from banks	135 000	–
Receivables from brokers	17 741	108 065	Payables to brokers	7 006	92 602
Receivables from convertible bond	–	197 000	Securities short	312	1 401
Marketable securities	2 261 795	2 191 997	Other short-term liabilities	3 930	1 113
Other assets	14	4	Tax provisions	89	64
	2 284 592	2 498 232		146 337	95 180
			Long-term liabilities		
			Convertible bond	110 546	112 852
			Liability from options	8 561	10 318
				119 107	123 170
			Total liabilities	265 444	218 350
			Shareholders' equity		
			Share capital	25 700	25 700
			Treasury shares	(139 555)	(35 439)
			Additional paid-in capital	1 089 483	1 083 253
			Retained earnings	1 043 520	1 206 368
				2 019 148	2 279 882
Total assets	<u>2 284 592</u>	<u>2 498 232</u>	Total liabilities and shareholders' equity	<u>2 284 592</u>	<u>2 498 232</u>
Net Asset Value per share in CHF	84.40	90.29			

The selected explanatory notes on pages 12 to 15 are an integral part of this consolidated semi-annual statement.

Consolidated semi-annual statement

Consolidated statement of income for the period ended June 30 (in CHF 1 000)

	01/01–06/30/2006	01/01–06/30/2005	04/01–06/30/2006*	04/01–06/30/2005*
Operating income				
Gains from marketable securities	–	59 892	–	246 485
Interest income	155	106	81	39
Foreign exchange gains net	–	1 236	–	1 044
Other income	–	5	–	5
	155	61 239	81	247 573
Operating expenses				
Losses from marketable securities	107 417	–	270 222	–
Interest expenses	2 042	9	1 256	9
Foreign exchange losses net	1 492	–	559	–
Administrative expenses	4 610	3 795	2 154	1 967
Other expenses	2 502	1 968	1 221	1 278
	118 063	5 772	275 412	3 254
Operating income/(loss) before tax	(117 908)	55 467	(275 331)	244 319
Tax expenses	62	28	37	–
Net income/(loss) for the period	<u>(117 970)</u>	<u>55 439</u>	<u>(275 368)</u>	<u>244 319</u>
Gain/(loss) per share in issue and diluted gain/(loss) per share in issue in CHF	(4.77)	2.33		
Average outstanding shares	24 706 644	23 818 358		

*not audited

The selected explanatory notes on pages 12 to 15 are an integral part of this consolidated semi-annual statement.

Consolidated semi-annual statement

Consolidated statement of changes in equity for the period ended June 30

(in CHF 1000)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings/ (accumulated deficit)	Total
Balances at January 1, 2005	25 700	(123 614)	1 065 269	947 076	1 914 430
Dividend	–	–	–	(57 201)	(57 201)
Trade with treasury shares (incl. balance change)	–	2 222	3 077	–	5 299
Net gain for the period	–	–	–	55 439	55 439
Balances at June 30, 2005	<u>25 700</u>	<u>(121 392)</u>	<u>1 068 346</u>	<u>945 314</u>	<u>1 917 967</u>
Balances at January 1, 2006	25 700	(35 438)	1 083 253	1 206 368	2 279 882
Dividend	–	–	–	(44 877)	(44 877)
Trade with treasury shares (incl. balance change)	–	(104 117)	4 733	–	(99 384)
Liability from options	–	–	1 497	–	1 497
Net loss for the period	–	–	–	(117 970)	(117 970)
Balances at June 30, 2006	<u>25 700</u>	<u>(139 555)</u>	<u>1 089 483</u>	<u>1 043 520</u>	<u>2 019 148</u>

The selected explanatory notes on pages 12 to 15 are an integral part of this consolidated semi-annual statement.

Consolidated semi-annual statement

Consolidated statement of cash flow for the period ended June 30

(in CHF 1000)

	01/01–06/30/2006	01/01–06/30/2005
Cash flows from operating activities		
Proceeds from sales of securities	476 547	364 157
Purchase of securities	(654 851)	(334 202)
Receivables from/payables to brokers net	4 727	(1 085)
Interest receipts	145	90
Interest payments	(530)	(9)
Payments for services	(8 014)	(5 686)
Tax refund/(Taxes paid)	(37)	7
Total cash from operating activities	(182 013)	23 272
Cash flows from financing activities		
Dividend payments	(44 877)	(57 201)
Purchase of treasury shares and derivatives on treasury shares	(208 273)	(123 848)
Proceeds from sales of treasury shares and derivatives on treasury shares	108 531	129 148
Loans	135 000	–
Convertible bond	200 000	–
Commissions paid	(3 000)	–
Total cash from financing activities	187 381	(51 901)
Foreign exchange difference	(1 492)	1 236
Increase/(decrease) in cash and cash equivalents	3 876	(27 393)
Cash and cash equivalents at beginning of year	1 166	36 251
Cash and cash equivalents at end of period	5 042	8 858
Liquid funds	5 042	8 858
Cash and cash equivalents at end of period	<u>5 042</u>	<u>8 858</u>

The selected explanatory notes on pages 12 to 15 are an integral part of this consolidated semi-annual statement.

Selected explanatory notes to the consolidated semi-annual statement

1. The Company and its principal activity

BB BIOTECH AG (the Company) is listed on the Swiss Stock Exchange, in the Prime Standard Segment of the German Exchange as well as on the "Star Segment" in Italy and has its registered office in Schaffhausen, Vordergasse 3. Its principal activity is to invest in companies active in the biotechnology industry. The Company holds these investments indirectly via the wholly owned subsidiaries BIOTECH FOCUS N.V., BIOTECH INVEST N.V., BIOTECH TARGET N.V. and BIOTECH GROWTH N.V. All subsidiaries are domiciled in Curaçao.

2. Accounting policies

General

The consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as well as the provisions of the Additional Rules of the SWX Swiss Exchange for the Listing of Investment Companies. With the exception of financial assets and liabilities, the financial statements are prepared on a historical cost basis. The consolidated interim financial statements are drawn up in accordance with IFRS. 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 period. In certain circumstances, the actual values may diverge from these estimates. As at January 1, 2006, there are new and existing revised IAS Standards to be adopted. The company has consequently adopted all relevant and below-mentioned Standards since January 1, 2006. In all other respects, the same accounting principles apply as used for the 2005 consolidated financial statements.

Existing revised IAS Standard adopted by the Company since January 1, 2006:

– IAS 39 (revised 2005) – The Fair Value Option

There are no substantial effects and changes in the accounting policies due to the adoption of the new and existing revised IAS 39.

The following standards, interpretations and amendments to published standards that are mandatory for accounting periods beginning on or after January 1, 2007, or later periods have not been early adopted:

– IFRS 7 (effective January 1, 2007) – Financial Instruments: Disclosures

The Group assessed the impact of IFRS 7 and concluded that this new standard will result in some additional disclosures. The Group will apply IFRS 7 from annual periods beginning January 1, 2007.

Basis of consolidation

The consolidated interim 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. 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 June 30 period end.

Foreign currency translation

The consolidated interim financial statements of the companies 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 the end of the period 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.

Marketable securities

Securities and derivatives are valued according to IAS 39 and classified as held at fair value through profit or loss. Initially securities and derivatives are recognized at cost and are subsequently remeasured at fair value based on market prices or generally accepted valuation models, where no market prices are available. These valuation models are based on market conditions existing at each balance sheet date, such as Black-Scholes- 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.

Selected explanatory notes to the consolidated semi-annual statement

Convertible bond issued

The fair value of the liability portion of a convertible bond is determined using market interest rate for an equivalent nonconvertible 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.

Treasury shares

Own shares and derivative instruments on own shares are deducted from shareholders' equity. On the other hand a short position of own shares increases shareholders' equity. All profits and losses arising from trading in own shares are directly credited/debited to additional paid-in capital.

3. Marketable securities (in CHF 1 000)

A detailed breakdown of the securities held on June 30, 2006, can be found on page 6 of this report.

Change in value by investment category from January 1, 2006, to June 30, 2006 (incl. securities short)

	Listed shares	Unlisted shares	Derivative instruments	Total
Opening balance as at 01/01/2006 at fair values	2 175 391	15 547	(342)	2 190 596
Purchases	654 751	–	100	654 851
Sales	(475 510)	–	(1 037)	(476 547)
Reclassification ¹⁾	20 923	(20 923)	–	–
Realized gains	9 324	5 376	2 337	17 037
Realized losses	(48 993)	–	–	(48 993)
Unrealized gains	165 430	–	476	165 906
Unrealized losses	(241 055)	–	(312)	(241 367)
Net (losses)/gains from marketable securities	(115 294)	5 376	2 501	(107 417)
Closing balance as at 06/30/2006 at fair values	<u>2 260 261</u>	<u>–</u>	<u>1 222</u>	<u>2 261 483</u>

¹⁾ IPO BioXell as of 06/21/06 at a price of CHF 44.00

4. Shareholders' equity

The share capital of the Company consists of 25.7 mn fully paid bearer shares (12/31/2005: 25.7 mn) with a par value of CHF 1 each (12/31/2005: CHF 1).

From January 1, 2006, through June 30, 2006, 2 622 652 shares were purchased at an average price of CHF 79.30 and 1 296 893 shares were sold at an average price of CHF 83.90.

As at June 30, 2006, there exists an authorized capital of CHF 12.5 mn (12/31/2005: CHF 12.5 mn) as well as a conditional capital of CHF 12.5 mn (12/31/2005: CHF 12.5 mn). The conditional capital consists of a tranche of CHF 6.25 mn in order to the exercise of option bond rights and a tranche of CHF 6.25 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.

5. Administrative expenses (in CHF 1 000)

Administrative expenses comprise the following:

	01/01–06/30/2006	01/01–06/30/2005
Asset manager		
– Fixed fees portion	4 163	3 434
Board of Directors remuneration		
– Fixed fees portion	416	343
– Social security employer's contribution	31	18
	<u>4 610</u>	<u>3 795</u>

Selected explanatory notes to the consolidated semi-annual statement

The remuneration model of BB BIOTECH AG ensures that the interests of the shareholders, the asset manager and the Board of Directors are all the same. Remuneration therefore depends on the share price and is made up of a flat fee component and a performance-related fee component.

The Board of Directors receives remuneration in an amount of 10% of the remuneration of the fees paid to the manager.

Flat fee component

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

Performance-related fee

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

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

For the end of the next quarter (09/30/2006) the hurdle rates for payment of a performance-related fee will be as follows:

- 18 026 978 shares (70.1% of the Company): CHF 95.26
- 3 697 842 shares (14.4%): CHF 102.50
- 924 460 shares (3.6%): CHF 106.06
- 1 571 583 shares (6.1%): CHF 225.76
- 1 479 137 shares (5.8%): CHF 232.39

On April 20, 2006, a resolution was passed at the Annual General Meeting to pay out a dividend of CHF 1.80 per bearer share; the payout in question was made on April 26, 2006. Subsequently, the levels at which performance-related compensation is to be paid were also adjusted downward by CHF 1.80 as at April 26, 2006.

6. Information by geographical area (in CHF 1 000)

Assets	06/30/2006	12/31/2005
USA	1 831 238	1 949 363
Switzerland	364 180	478 003
Ireland	58 442	44 077
Italy	22 787	15 929
Germany	7 880	10 791
Great Britain	65	69
	2 284 592	2 498 232
Operating income before tax	01/01–06/30/2006	01/01–06/30/2005
Switzerland	28 128	30 128
Ireland	6 236	(44 668)
Italy	1 015	(276)
Germany	(2 669)	(3 059)
Curaçao	(4 208)	(3 453)
USA	(146 410)	76 795
	(117 908)	55 467

Selected explanatory notes to the consolidated semi-annual statement

7. Assets pledged

The securities are a collateral for credit lines of CHF 200 mn and USD 140 mn (12/31/2005: CHF 200 mn and USD 140 mn). At June 30, 2006, the Group has claimed credits of CHF 135 mn at 1.83% p.a. (12/31/2005: none).

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

The Group had no commitments or other off-balance sheet transactions open at June 30, 2006 (12/31/2005: 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 June 30, 2006, no proceedings existed which could have any material effect on the financial position of the Group (12/31/2005: none).

9. Partially mandatory convertible bond issue

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

Issue of partially mandatory convertible bonds

Coupons:	3.5%
Conversion price:	CHF 88.20 (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, are allocated to the equity and liability component in relation to the mandatory convertible portion.

In order to cover its delivery commitment under the mandatory convertible bond, BB BIOTECH has acquired 1.11 mn call options with a strike of CHF 8.20 (dividend adjusted), maturity December 15, 2008. The call options, in conjunction with the delivery commitment, were reported under equity in accordance with the International Financial Reporting Standards (IFRS). The purchase commitment under the call option represents the present value of the future obligation and is reported in the balance sheet under the heading of "liability from options".

10. Subsequent events

There have been no events subsequent to June 30, 2006, which would affect the consolidated interim financial statements.

Report of the group auditors

**Report of the group auditors
to the Board of Directors of
BB BIOTECH AG
Schaffhausen**

As auditors of the group, we have audited the consolidated semi-annual financial statements (balance sheet, statement of income, statement of changes in equity, statement of cash flow and selected explanatory notes/pages 8 to 15) of BB BIOTECH AG for the half-year ended June 30, 2006.

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

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

In our opinion, the consolidated semi-annual financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Accounting Standard (IAS) 34 and the accounting provisions as contained in the Additional Rules for the Listing of Investment Companies of the SWX Swiss Exchange and comply with Swiss law.

PricewaterhouseCoopers AG

Albert Schönenberger

Adrian Keller

Zug, August 3, 2006

Corporate Governance

Board of Directors and shareholdings of the Board of Directors

Prof. Dr. med. Thomas D. Szucs (2003), Chairman (2004), Switzerland. Co-Chairman of the European Center of Pharmaceutical Medicine. 1 650 shares (ditto as at 03/31/2006).

Prof. Dr. David Baltimore (1993), Vice Chairman (2004), USA. President of the California Institute of Technology, Nobel laureate. No shares.

Dr. Clive Meanwell (2004), USA. Executive Chairman and Director of The Medicines Company. 3 500 shares (ditto as at 03/31/2006).

Asset Management

The Swissfirst Asset Management Group has the mandate for fundamental analysis, portfolio management, marketing and administration of BB BIOTECH.

Auditors

PricewaterhouseCoopers AG, Zug

A detailed Corporate Governance report is published in the annual report.

Shareholder information

Company profile

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

Official listing and share structure

Foundation:	November 9, 1993, Schaffhausen, Switzerland
Issue price adj. November 15, 1993:	CHF 23.76
Official listing:	December 27, 1993, in Switzerland, December 10, 1997, in Germany, October 19, 2000, in Italy
Share structure:	CHF 25.7 mn nominal, 25 700 000 bearer shares with a par value of CHF 1
Authorized capital:	CHF 12.5 mn
Conditional capital:	CHF 12.5 mn
Shareholders, free float:	Institutional and private investors. 100% free float.
Security number Switzerland:	144.158
Security number in Germany and Italy:	888 509
ISIN:	CH0001441580
Convertible bond 3 1/2% 06-09:	Security number: 2 355 519, ISIN CH0023555193 (Quote: Bloomberg BIO06 Corp)

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	– Bloomberg: BIO SW Equity NAV, BABB	in EUR	– Bloomberg: BBZ GY Equity NAV, BABB
		– Datastream: S:BINA		– Datastream: D:BBNA
		– Reuters: BABB		– Reuters: BABB
		– Telekurs: BIO resp. 85, BB1 (Investdata)		– Frankfurter Allgemeine Zeitung (D):
		– Finanz & Wirtschaft (CH), M2: listed twice weekly		listed twice weekly
Stock price:	in CHF (SWX)	– Bloomberg: BIO SW Equity	in EUR (Xetra)	– Bloomberg: BBZ GY Equity
		– Datastream: S:BIO		– Datastream: D:BBZ
		– Reuters: BIO.S		– Reuters: BIOZ.DE
		– Telekurs: BIO	in EUR (IM)	– Bloomberg: BBA IM Equity
				– Datastream: I:BBB
				– Reuters: BB.MI

Corporate calendar 2006/2007

9-Months Report:	October 26, 2006, 07.30 AM CET
Prel. Report & Portfolio 2006:	January 25, 2007, 07.30 AM CET
Annual Report 2006:	March 8, 2007, 07.30 AM CET
Annual General Meeting:	April 27, 2007, 04.00 PM, Lake Side Casino Zürichhorn, Bellerivestrasse 170, CH-8008 Zurich

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/bb-aktienplan.

Contact for investors and media

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BBBIOTECH

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