Annual Report 2003

BBBIOTECH

BB BIOTECH AG

What the pictures tell

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

Annual Report 2003

Letter to the Shareholders

Dear Shareholders

Biotech stocks are coming off their best year since 2000. A steady flow of new product approvals and hopes about breakthroughs in the treatment of cancer significantly lifted share prices. Many companies across all segments and regions enjoyed renewed interest from market participants and recovered nicely from the substantial losses suffered during the prior two years.

BB BIOTECH's share price increased by 11% and its Net Asset Value (NAV) by 9% (in CHF). However, given the strong performance of the markets, we cannot be satisfied with BB BIOTECH's last year's results. Several factors dragged the performance in 2003, including the weakness of the US currency, an unfortunate equity hedge position, and the disappointing launch of MedImmune's FluMist. Nevertheless, since its inception, the performance of BB BIOTECH's NAV exceeds the performance of the relevant indices. BB BIOTECH's discount, the difference between share price and NAV, slightly decreased to 15.7%. Although that valuation gap shrank, the goal to reduce it to less than 10% was not achieved by the end of 2003. In the context of current market conditions, we still consider the current discount as being too high. Therefore the Board of Directors will suggest further measures to reduce the stock price discount at the annual shareholders meeting scheduled for April 20, 2004.

The best performing participations of our portfolio during the last year were Ligand, Actelion, Pozen and The Medicines Company (TMC), benefited from the strong market success of their key products. Pozen's share price was driven by a favorable partnering deal and by progress in clinical development.

In 2003, we significantly increased our positions in Actelion, Serono and TMC. We also entered into several new participations including Gilead, due to its powerful products for treatment of HIV; Genzyme, based on its strong franchises on the area of enzyme replacement therapies, and Inspire, due to its promising product Diquafosol for treatment of dry eye disease. We added as well a new private company to our portfolio: Auxilium, an innovative company in the area of testosterone replacement.

We decreased our positions in Amgen and MedImmune. Our positions in Adolor, CV Therapeutics, Cubist, Enzon, Endo Pharmaceuticals, Neurocrine, Regeneron, Shire and Transkaryotic Therapies (TKT) were sold. One of our portfolio companies (3-Dimensional Pharmaceuticals) was acquired by Johnson & Johnson.

2004 started with the successful IPO of our private equity participation EyeTech, enabled by strong clinical data of its core product Macugen for treatment of wet age-related macular degeneration.

Driven by strong growth, many biotech companies still offer compelling valuations which might form a solid base for another successful year of biotech share prices. We have broadened our base of core participations to seven attractive companies and are looking forward to participate in additional companies over the coming months.

We thank you for your support in 2003.

The Board of Directors of BB BIOTECH AG

Dr. Ernst Thomke
Chairman

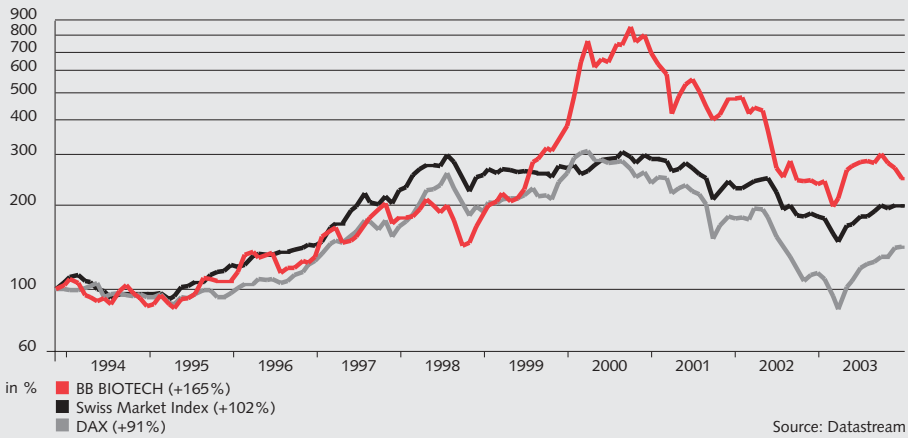
Prof. Dr. med. Thomas Szucs

Prof. Dr. David Baltimore

Key figures

Performance

Bearer shares (Switzerland):	
12/31/2002–12/31/2003	**11%**
Bearer shares (Germany):	
12/31/2002–12/31/2003	**3%**
Bearer shares (Italy):	
12/31/2002–12/31/2003	**7%**
Net Asset Value (in CHF):	
12/31/2002–12/31/2003	**9%**
Performance since launch p.a.:	
11/15/1993–12/31/2003	**10%**
Outperformance (Net Asset Value) vs. Amex Biotech-Index (BTK) since launch:	**5%**
Market capitalization as at 12/31/2003: CHF 1 750 mn/EUR 1 123 mn	

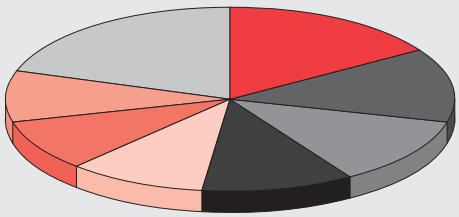


Source: Datastream

Portfolio as at 12/31/2003

Securities: **CHF 1 949 mn**

Amgen	16%	Actelion	13%
Serono	12%	Biogen Idec	11%
Gilead	10%	The Medicines Company	8%
Celgene	9%	Small participations	21%



Volume and Ranges

	2003	2002	2001	2000
High/low share price in CHF (SWX):	74.75/47.00	125.75/49.80	176.00/81.50	240.00/101.00
High/low Net Asset Value in CHF:	87.70/66.10	128.40/60.30	158.60/90.10	203.60/98.60
Closing price at the end of the period in CHF:	62.95	56.80	125.75	176.00
Net Asset Value at the end of the period in CHF:	74.66	68.63	128.42	156.35
High/low in EUR (Xetra):	48.40/31.66	83.50/33.60	116.50/55.50	151.50/63.45
High/low in EUR (Nuovo Mercato):	47.67/31.96	83.00/33.80	113.00/55.15	145.00/106.00
High/low Net Asset Value in EUR:	56.40/45.00	89.20/41.00	105.10/58.90	126.60/61.50
Closing price (D) at the end of the period in EUR:	40.15	38.96	83.50	114.00
Closing price (I) at the end of the period in EUR:	40.65	38.10	83.28	113.20
Net Asset Value at the end of the period in EUR:	47.90	47.23	86.70	101.30
Average daily trading volume in CHF 1 000:	7 186	6 982	13 365	30 723
Average daily trading volume in amount of shares:	78 280	79 644	95 081	153 399

Investment focus and selection

Thanks to the findings of modern biotechnology, in recent years a substantial series of successful new medications and therapeutic solutions have been developed. BB BIOTECH offers its shareholders the opportunity to participate in this growth, with above-average returns anticipated. As a rule, the securities portfolio consists of four to eight core holdings as well as 10 to 20 minor ones. The maximum share of companies without a stock-market listing is 10%.

The complexity of the subject matter and the risks involved in developing active agents call for expertise and a prudent risk management strategy. The Management Board of BB BIOTECH, one of the members of which is a Nobel prize winner, has had many years' experience in biotechnology and in the pharmaceutical industry. In performing fundamental analyses and for BB BIOTECH's portfolio management purposes, the services of molecular biologists, physicians and finance specialists of Bellevue Asset Management Group are engaged. Bellevue Asset Management, in turn, has established a global network of specialists such as clinicians and patent lawyers to which it has access at all times.

The selection of holdings is prepared by means of a comprehensive process of analysis and selection. This begins with a broad screening of key fields of therapy by the teams of analysts in Küsnacht/Switzerland and in Boston/US For various fields of activity such as infectious diseases, cancer or cardiac and circulation related illnesses, highly promising technologies and therapy solutions are discussed and their market potential is determined.

Subsequently, the companies engaged in these fields of activity are short-listed. The companies considered eligible and particularly their product pipeline are analyzed in detail. In doing so, BB BIOTECH focuses on the ways and means of performing the clinical studies as well as their results. Preference is generally given to those companies whose products are at a late phase of their clinical development or whose medications have already been approved for sale on the market. In these cases, comprehensive clinical development data are already available, and this only makes professional risk management possible in the first place. In addition, plans for future marketing of these potential medications as well as the relevant cooperative ventures in place for distribution purposes need to be reviewed. Medications holding the promise of treatment for illnesses with no known cure in the past, or illnesses which do not readily respond to therapy, have the best chances of success.

An assessment of the management and the company's financial structure also plays an important part in this selection process. Only companies with an attractive risk-to-earnings profile are considered for a closer selection process.

Before the Management Board agrees to building up a particular holding, finally the potential candidates are subjected to a comprehensive review. Apart from visiting companies and talking to their managers, such activities also extend to include interviews with leading physicians and specialists in each field of activity. Finally, an in-depth financial analysis is made to assess the company's present and potential valuation.

After being incorporated in BB BIOTECH's portfolio, the companies are continually monitored. Moreover, the members of the Management are invited to BB BIOTECH's strategy meetings on a regular basis. This close-knit monitoring of portfolio companies enables BB BIOTECH to utilize all strategic options in a timely manner; for instance, holdings can be sold whenever a significant deterioration of fundamentals takes place. In addition, within the scope of active portfolio management, positions are reduced or increased as soon as certain valuations have been exceeded or undercut.

Industry outlook

For the stock markets, the year 2003 represented a turning point. For the bio-technology industry, another milestone was reached since 2003 was the year in which the human genome was completely deciphered (structural genomics). It was only 50 years ago that Watson and Crick discovered the structure of the hereditary substance DNA, and 30 years ago, Cohen and Boyer perfected the re-combinant DNA technology, which is indispensable for modern biotechnology.

The year itself was characterized by strong clinical data of existing and new bio-technological substances and, in particular, by intensified review activities of the US Food and Drug Administration (FDA). The appointment of the new FDA Commissioner, Mark McClellan, and the regulation of the Prescription Drug User Fee Act (PDUFA-III) which came into force at the end of 2002, resulted in shorter approval times and an increased number of product approvals.

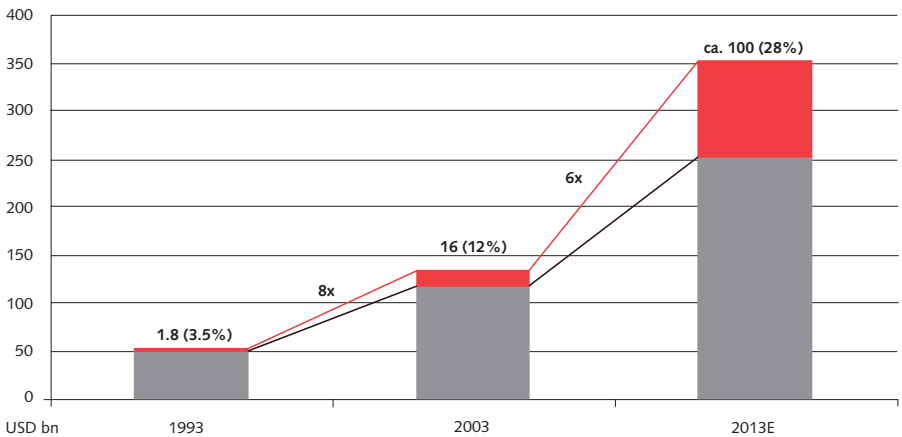
What is more important for the long-term biotech investor, though, is the future outlook for this attractive growth industry. Ten years after BB BIOTECH was founded, biotechnology has now established itself firmly as an independent discipline. Today, more than 190 000 persons are already employed by the US biotech industry alone. The share of drug sales accounted for by biotech medications in the US rose from 4% in 1993 to 12% in the year 2003. Revenues of US biotech companies grew by an annual average of 11% and have reached USD 32 bn in 2003.

This strong growth rate reflects the key breakthroughs achieved in the medical field thanks to biotechnology. Many things considered unthinkable or even a medical miracle just a few years ago can be accomplished today, both in the field of diagnostics and in therapy. Nevertheless, the demand for better drugs remains immense. Only about a third of the 35 000 known diseases can be treated, unfortunately, even far less can be cured, today. Therefore, R&D activities and efforts will remain strong, being a key area for success.

New knowledge creates new possibilities. Never before has the increase in new knowledge been so high and the convergence of various disciplines so evident. The progress made in terms of diagnostic possibilities and the multitude of innovative approaches to clinical developments are impressive. The "see-through patient" with genetic fingerprints is becoming a reality, increasingly enabling a highly individualized approach of medical practice. This brings medical practitioners a step closer to the objective of treating the root cause of an illness rather than its symptoms, and – if this is not possible – of achieving improved treatment with fewer side effects. Major efforts are being concentrated in areas of sharply rising demand due to the aging population.

Cancer-related illnesses rank first and foremost among the diseases. Their number is set to double by 2050. The success achieved so far with monoclonal antibodies has fuelled fresh hopes. Other highly promising approaches are already being tested in humans. The pipeline is filled with promising candidates. No other discipline has recorded as many patent applications as the field of cancer treatment. Infectious diseases such as AIDS, hepatitis, prione diseases and antibiotics resistances are another focal point of research activities. Effective therapy approaches are also urgently needed in the field of neurodegenerative diseases such as Alzheimer, Parkinson and multiple sclerosis. As

The importance of biotech drugs will further increase



Assumptions for the US-market outlook
Pharma drug revenue growth 2003 until 2013E: 8% p.a., biotech drug revenue growth 2003 until 2013: 20% p.a. Proportion of drug cost of total of healthcare cost in 2013E: 15%. Healthcare cost in % of GDP in 2013E: 16%

Biotech
Pharma

Source: BAM Research

Industry outlook

in the case of depression treatment or schizophrenia, solutions are being developed here that are based on a better understanding of the underlying causes and will displace the empirical approach of merely combating symptoms. A total of approx. 1 000 biotech products for more than 200 diseases are currently undergoing clinical trials.

Those products that succeed in reaching the market are not only beneficial to the patient but also to the healthcare system. Care, in particular the intensive level of care required during the advanced stages of illness, is far more expensive than early treatment with effective drugs. Studies have shown that each additional USD spent on drugs results in an average reduction of treatment costs of USD 1.50. An additional factor in many industrialized countries will be an insufficient number of personnel to care for patients in the future. Better drugs are needed for the prevention of such bottlenecks.

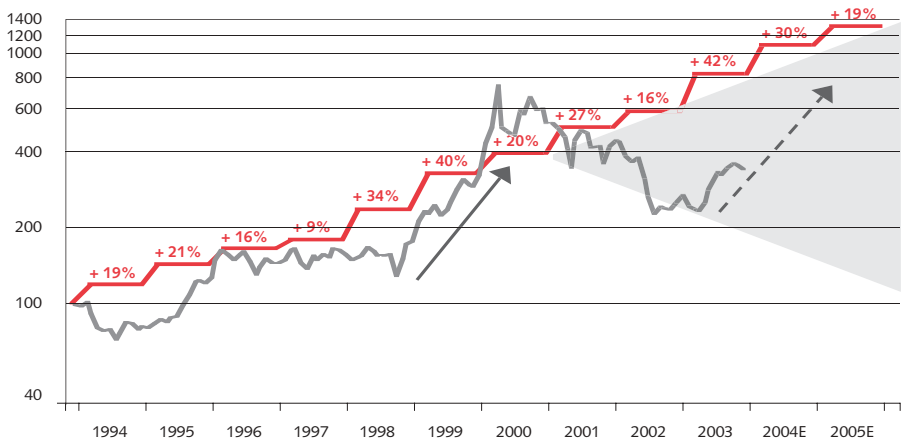
The biotech industry clearly is the innovator in medicine. It is in the lead in terms of innovative drug development for orphan diseases and it has also outpaced the pharmaceutical industry regarding the number of new drugs approved over the past two years. This has also resulted in a greater dependence of the pharmaceutical industry on biotech companies. Expiring patents and too few pipeline products leave no other option. This is reflected in the increasing number of co-operations of the biotech companies, which saw an annual rise by 27% from 1992 to 2002. The network approach promotes what established pharmaceuticals companies failed to achieve on their own. Research productivity increases and so does the economic efficiency.

These strong fundamentals have set the course for biotech's success. The share of US drug revenues accounted for by biotech drugs is set to rise from currently 12% to around 30% in the next ten years and will reach approx. USD 100 bn. Given such growth momentum the sector is favorably valued both in the historical context and in comparison with pharmaceuticals companies.

Since success and failure in the development of drugs are very close together, co-operation and consolidation continue to remain a big issue in the sector. Companies with insufficient capital resources and delays in clinical developments may be obliged to sell their assets below market value. In addition, undervalued companies featuring products with promising growth prospects will remain takeover candidates in the future. Besides that, companies currently fairly unknown will surprise the public with good news. That is exactly what one would expect from a growth industry.

The performance of biotech stocks mainly depends on the success of biotech products in the market or in clinical trials. The outlook for the year 2004 is favorable here as well. Following 17 approvals last year, which greatly benefited from the reduction in the application backlog, a further 10 to 15 products are now pending for approval. In addition, a considerable volume of data from the last phase of clinical trials will be published in the course of the year 2004 and should provide a constant flow of positive news from the industry.

Share prices are following turnover growth



Increase of biotech drug turnover in % (only USA)

Performance Nasdaq Biotechnology Index

Source: BAM Research, Datastream

Interview

"The range of solid companies has increased in size"

Interview with Prof. Dr. med Thomas D. Szucs, Vice President of the Board of Directors of BB BIOTECH

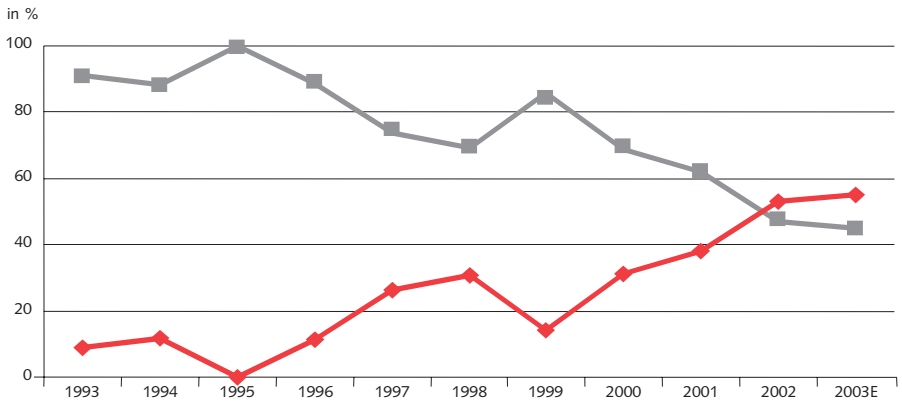
The number of core holdings increased again from three to seven. What is your strategy behind this?
The focus remains on "new, innovative medications". We participate in this sector on a highly selective basis and control our risk on the basis of our own primary research. In the course of the year under review, the number of companies we consider capable of an above-average performance increased. Some of the factors accounting for this trend were the companies' strong earnings momentum, an anticipated breakeven, fundamental advances and good clinical data in the product pipeline. Accordingly, the portfolio turned out "broader" at the end of the year but remained focused nonetheless.

BB BIOTECH, with an 24% performance (in USD) last year, lagged behind the big US biotech indexes. How do you explain that?
The share prices of Amgen, MedImmune, Biogen Idec and Serono developed more poorly in the course of the year, while Actelion and The Medicines Company outperformed the comparative indexes. In addition, numerous companies beyond our investment focus that had reported above-average losses in previous years managed to stage a strong recovery. In addition, there were no exits among our private companies in 2003. Since we do not use the indexes as guidance for our portfolio on principle, there will always be periods in which we outperform and others in which we do not. Since our establishment ten years ago, however, on the whole our outperformances have predominated, both in relation to the Amex-Biotech Index (BTK) and against the broader Nasdaq Biotech Index (NBI).

What could be the highlights in 2004?
Hopefully, all companies will attract investor attention with a constant flow of positive news! However, among the most promising holdings, perhaps, is the private company EyeTech, which develops active substances to treat the age-related wet form of maculadegeneration. The company presented good clinical Phase III data in November 2003, setting the stage for an IPO recommendation. The successful IPO end of January 2004 quadrupled the value of our holding.

How do you evaluate the current advances being made in the research laboratories of biotech companies?
At practically all medical congresses, the bottom line is that the biotech industry is here to stay, and frequently it tends to dominate events as they unfold. More than every second newly approved medication today comes from biotech labs. Despite these successes, a sustained cure for such terminal illnesses as cancer or AIDS is not in sight. Nevertheless, the advances made represent a quantum leap in day-to-day clinical work, the reason being

Biotechnology is the innovation driver



Proportion of drug approvals in %

Biotech
Pharma

Source: FDA, BAM Research

Interview

that physicians are increasingly succeeding in bringing patients to a chronic stage of illness in which they can continue to live subject to a good or acceptable quality of life for many years. Moreover, in future biotech medications will be prescribed to a greater extent for chronic illnesses (such as rheumatism or psoriasis), not only by specialists but increasingly by primary care physicians, too. This is bound to result in market expansion.

And the risks?

Firstly, the clinical development of new active substances remains a stony path. Quite often even the scientists involved do not know why a new medication produces a response in certain cases and fails to in others. This compels the investor to diversify the risk. Secondly, the companies are not only called upon to bring a medication to reach market maturity. Even if medications as a whole are reducing health care costs dramatically, proof of the pharmaeconomic benefits will need to be delivered particularly for the mostly expensive, recombinantly manufactured biotech active substances in order for the funding entities to pay for them. And finally, approval of a medication does not necessarily mean an immediate marketing success, as the examples of FluMist and Zevalin have shown.

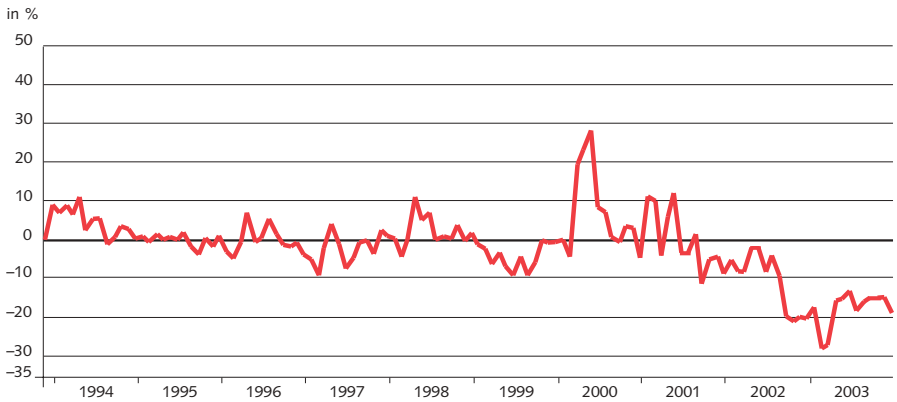
You have failed to achieve your objective announced in mid-2003 of bringing the discount below 10% on a sustained basis. What, in your opinion, are the reasons for this and what measures do you intend to take?

The discount to the Net Asset Value is a cyclical phenomenon. In theory, the stock price and the Net Asset Value should be identical; in practice, however, boom times are accompanied by higher premiums, and bad times by major discounts. A bandwidth of +/–10% is the rule and is considered acceptable. After we failed to close the gap in the second semester on the back of marketing efforts alone, we now want to make BB BIOTECH more appealing as a "product" by creating a discount-linked dividend policy; in doing so, we are also addressing new, yield-oriented investor groups in particular.

Why should investors take a long-term stake in the biotech industry?

The biotech industry supplies the solutions considered of central importance to humankind: new therapies to alleviate suffering and reduce the level of nursing care required, and which enable us to age in better general health. Since we are only at the start of this development process, the industry holds outstanding potential in store for investors. In the US alone, we anticipate that biotech revenues will increase six-fold, from USD 16 bn today to nearly USD 100 bn in ten years.

The discount to NAV is a cyclical phenomenon



Derivation of share price from Net Asset Value

> 0% = Premium
0% = Net Asset Value
< 0% = Discount

Source: Datastream

Portfolio

On the one hand, BB BIOTECH's portfolio became more focused in the course of the year 2003; on the other, the weightings of major positions decreased. While three core holdings represented 57% of the value of our portfolio at the end of 2002, at end-2003 seven core holdings together accounted for 79% of the funds invested. Amgen, at 17% (previous year: 28%) remains the biggest position, and MedImmune has been removed from the group of core holdings.

While in the previous year 20 minor holdings represented approx. 34% of the portfolio, at end-2003 there were eleven companies, at 22%. At the end of the period under review, BB BIOTECH was fully invested (end-2002: 9% in liquid funds).

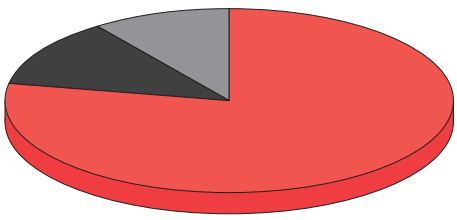
Slightly more than three quarters (78%) of the funds deployed by BB BIOTECH are invested in eight profitable biotech companies which are already successful in distributing products on the market. These companies are showing median profit growth of 30% for the year 2004. A further 12% of the portfolio is invested in three companies that have already launched products and should reach break-even point in 2004. In the case of two other companies (3%), positive earnings territory should be within reach.

We anticipate that two of our three private holdings will be launching IPOs in the course of 2004. In the case of EyeTech Pharmaceuticals, this is occurred by the time this annual report goes to press.

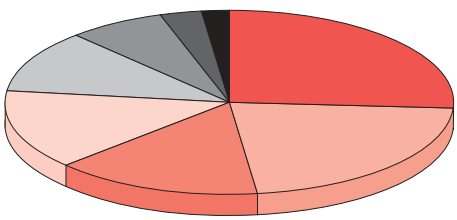
The majority of our holdings are based in the US (16 companies, representing 75% of the portfolio). Two companies (25%) are headquartered in Switzerland. Our strong orientation to US stocks reflects the degree of maturity reached by the biotech industry in that market. We do not hedge foreign-currency risks; in the event of a policy change, this would be communicated.

Portfolio composition overview

Products on the market – companies with profit	78%
Products on the market – companies close to break-even	12%
Products in Phase II/III – companies cash-negative	10%



Oncology	26%
Cardiovascular diseases	22%
Infectious diseases	15%
Autoimmune diseases	14%
Nephrology	11%
Hormone diseases	7%
Pain	3%
Ophthalmology	2%



Participations as at December 31, 2003

Company	Number of securities	Change since 12/31/2002	Local currency	Share price	Market value in CHF mn	In % of portfolio	In % of company
Amgen	4 100 000	–3 250 000	USD	61.79	313.9	16.2%	0.3%
Actelion	1 880 782	715 782	CHF	133.50	251.1	12.9%	8.7%
Serono	258 259	120 957	CHF	882.00	227.8	11.7%	1.6%
Gilead	2 775 500	2 775 500	USD	58.28	200.4	10.3%	1.4%
Biogen Idec	4 150 300	–1 425 500	USD	36.70	188.7	9.7%	1.3%
Biogen Idec Zero Bond	42 000 000	0	USD	59.03	30.7	1.6%	
Celgene	3 000 000	3 000 000	USD	44.88	166.8	8.6%	3.7%
The Medicines Company	4 024 075	1 043 575	USD	29.46	146.9	7.6%	8.5%
Genzyme	2 000 000	2 000 000	USD	49.29	122.1	6.3%	0.9%
Ligand Pharmaceuticals	3 000 000	307 500	USD	14.69	54.6	2.8%	4.1%
MedImmune	1 200 000	–4 810 000	USD	25.38	37.7	1.9%	0.5%
Pozen	2 800 000	0	USD	10.20	35.4	1.8%	9.8%
Cell Therapeutics	3 000 000	2 079 500	USD	8.67	32.2	1.7%	8.8%
Virologic	5 726 430	2 121 426	USD	3.76	26.7	1.4%	12.9%
Inspire Pharmaceuticals	1 000 000	1 000 000	USD	14.15	17.5	0.9%	3.1%
Durect	2 254 957	0	USD	2.50	7.0	0.4%	4.4%
EyeTech Pharmaceuticals [1]	3 431 362	571 894	USD	7.05	30.0	1.5%	12.0%
Theravance [1]	3 111 111	0	USD	7.00	27.0	1.4%	5.6%
Auxilium Pharmaceuticals [1]	5 000 000	5 000 000	USD	1.50	9.3	0.5%	6.7%
Total					**1 925.8**	**99.2%**	
Derivates							
The Medicines Company warrants (long)	675 925	0	USD	23.60	19.8	1.0%	
Virologic warrants (long)	990 993	0	USD	3.06	3.8	0.2%	
Auxilium Pharmaceuticals warrants (long) [1]	1 501 501	1 501 501	USD	0.00	0.0	0.0%	
Total					**23.5**	**1.2%**	
Liquid funds (net)					–8.2	–0.4%	
Total					**1 941.1**	**100.0%**	
BB BIOTECH bearer shares [2]	1 825 722	–251 181			114.6		6.6%
Total					**2 055.7**		

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

Exchange rates as at 12/31/2003:
USD/CHF: 1.2390
EUR/CHF: 1.5590

Company profiles

Amgen

Market capitalization as at 12/31/2003:
USD 79.7 bn

Amgen is the largest biotechnology company in the world. The company sells products which are used to treat the side-effects of chemotherapy and chronic kidney failure and to treat ➔*rheumatoid arthritis*. All three product groups are developing well. Aranesp, an improved version of ➔*Epogen*, which regulates the formation of red blood cells, won further market shares in the year covered by the report. The product has profited from increasing market penetration and has also gained market shares from competitors Procrit/Eprex (J&J), in the USA as well as in Europe. The business field of ➔*neutropenia* is profiting from patients changing from Neupogen to the more advanced Neulasta. This product stimulates the formation of white blood cells in cancer patients who have to undergo chemotherapy and in so doing increases their chance of survival and quality of life. The great demand for Enbrel, Amgen's successful product used in the treatment of rheumatoid arthritis (RA), was first met to its full extent following the opening of a new production plant in 2003. In addition, the ➔*FDA* has approved the product for the treatment of inflammatory diseases of the spine (ankylosing spondylitis/Bechterew's disease). It is anticipated that there will be a new indication for Enbrel in the treatment of ➔*psoriasis* in the first quarter of 2004. Furthermore Amgen has presented very promising results for its three most important pipeline projects. Cinacalcet, a treatment for secondary ➔*hyperparathyroidism* in dialysis patients, showed very promising results for the Phase III studies. The drug has already been submitted for approval in the USA, Australia, Canada, New Zealand and the EU. Palifermin, a ➔*keratinocyte growth factor* used to treat mucositis in cancer patients, also showed encouraging results in December in the Phase III studies. To date there is no approved drug for the prevention or treatment of ➔*mucositis*. ABX-EGF, a monoclonal antibody used to treat various types of cancer, is currently being tested in a variety of clinical studies.

Actelion

Market capitalization as at 12/31/2003:
CHF 2.9 bn

Actelion concentrates on the development and marketing of medicines used to treat cardiovascular diseases. With Tracleer, Actelion successfully introduced its first drug in the USA and Europe in 2002. Tracleer is the first ➔*endothelin* receptor antagonist for oral administration. The agent has been approved for the treatment of pulmonary ➔*arterial hypertension*, a disease suffered by around 100 000 patients worldwide. Thanks to the success of Tracleer, Actelion was able to exceed the break-even point in 2003. Zavesca, a drug developed by Oxford Glycoscience to treat Gaucher's disease and licensed by Actelion in 2002, was approved for marketing also in the USA in 2003. Veletri, Actelion's most important pipeline product, is at the final stage of development. The product is aimed at the treatment of acute cardiac insufficiency. Interim results for the current Phase III study will be announced towards the end of the first quarter of 2004.

Actelion took over the private biotechnology company Axovan in September 2003 and is paying up to CHF 252 mn for it. CHF 60 mn were paid immediately, the rest is dependent on the development progress of Axovan products. Actelion has strengthened its position in the area of endothelin medication as a result of this acquisition. Axovan's most important product candidate, Clazosentan, is a selective endothelin receptor A antagonist. The agent is in clinical studies for the treatment of ➔*vasospasms* as a result of ➔*subarachnoid haemorrhage (SAH)*. In addition, Actelion has entered into a groundbreaking alliance with the American company Merck for the development and marketing of ➔*renin inhibitors* for the treatment of ➔*cardiorenal diseases*. Merck has paid an initial sum of USD 10 mn and, when important milestones in research and development have been reached, will pay a further amount of up to USD 262 mn.

Serono

Market capitalization as at 12/31/2003:
CHF 10.1 bn

With a turnover volume of around USD 2 bn and a portfolio of six recombinant products, Serono is one of the leading international biotech companies. With a market share of over 60% the company is also the world market leader in the area of infertility treatment. Rebif is a successful product used to treat ➔*multiple sclerosis (MS)*. Based on the groundbreaking EVIDENCE study, Rebif received early market approval for the USA in March 2002, and this is running successfully. With its recombinant (genetically produced)

Company profiles

human growth hormones, Serono developed new indications in the treatment of growth disorders (Saizen) and the ➔*AIDS wasting syndrome (Serostim)*. In August 2002 Serono began cooperation with Genentech to market the psoriasis agent Raptiva outside the USA, Japan and some Asian countries. The approval and the introduction to the market of Raptiva in Europe are expected in the first half of 2004. The product was licensed in the first half of 2003 in the USA. The pipeline of the company contains over 30 projects in the fields of reproductive medicine, ➔*autoimmune diseases*, psoriasis and irritable bowel syndrome.

Biogen Idec

Market capitalization as at 12/31/2003: USD 12.0 bn

Biogen Idec is the fourth largest biotechnology company in the world and was formed on 12 November from the merger of Biogen and IDEC Pharmaceuticals. The new company combines the expertise of IDEC, which specialises in the development of ➔*monoclonal antibodies* to treat cancer and diseases of the immune system and Biogen, which develops drugs for autoimmune diseases and skin diseases. Avonex, one of the most successful biotechnology products there is, is an interferon beta used to treat multiple sclerosis (MS). Another product of the new company with a strong turnover is Rituxan, the first monoclonal antibody for treating ➔*non-Hodgkin's lymphomas (NHL)*. Due to its effectiveness and the fact that the side-effects are only slight, Rituxan has now become the drug with the highest turnover in the world in the field of ➔*oncology*. The second product in the portfolio used in the treatment of NHL is Zevalin, a monoclonal antibody labelled with yttrium-90. In the USA Biogen Idec markets Zevalin itself, outside the USA sales are transacted through Schering. Amevive, a drug with an immune suppressive effect used to treat psoriasis was approved and introduced in the USA at the beginning of 2003. The most important product in the pipeline is Antegren. The clinical data from a Phase III study of Antegren in the treatment of MS is expected in the second half of 2004.

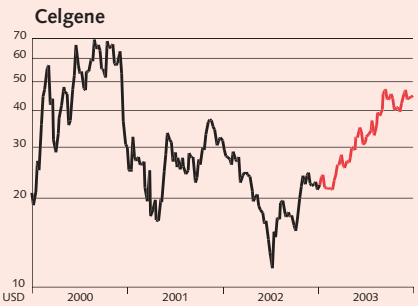
Gilead

Gilead develops medicines used in the treatment and prevention of infectious diseases such as AIDS, hepatitis B and influenza. The turnover from Gilead's main product Viread, a ➔*nucleotide reverse transcriptase inhibitor* used to treat ➔*HIV* infections, also grew substantially in 2003. With the help of this highly active antiretroviral treatment, the viral load in patients can be reduced for a given length of time even to the extent that there is no longer any evidence of viral ➔*RNA* in the plasma. Through the acquisition of the biotechnology company Triangle in December 2002, the company has secured the product Emtriva, another important drug used to treat HIV infections. Emtriva was approved in the USA in July 2003. Studies on administering the agent in combination with Viread in one tablet are in progress. A positive outcome would lead to a clear advantage over competitors' products.

Market capitalization as at 12/31/2003: USD 11.8 bn

With the introduction of Hepsera to Europe in March 2003 and the USA in September 2002 the company has established itself in another field of treatment. Hepsera is also a nucleotide reverse transcriptase inhibitor which is given in the treatment of hepatitis B infections. According to the WHO, 5–7% (350 mn people) of the world's population is chronically infected with the hepatitis B virus and therefore there is enormous potential for new, innovative medicines. The pipeline of Gilead also contains improved formulations of the above agents.

Celgene



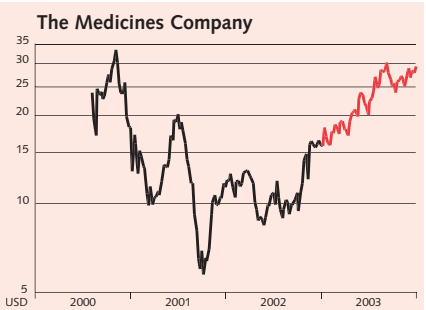
Market capitalization as at 12/31/2003: USD 169.9 bn

Celgene specialises in the development and marketing of new treatments for cancer and autoimmune diseases. The leading company product, Thalomid, was approved back in 1998 for the acute treatment of an inflammatory complication of leprosy. It is primarily used to treat multiple ➔*myeloma* and as a treatment for ➔*MDS (myelodysplasia)* and for various types of cancer (kidney, prostate). The pipeline with products almost ready for the market contains second-generation agents such as ➔*SelCIs (selective cytokine inhibitors)* and ➔*IMiDs (immunomodulatory drugs)*. Revimid, an IMiD and thalidomide analogon, is likely to be the next product which comes onto the market to treat MDS. The acquisition at the beginning of the year of the drug Melphalan (used to treat multiple myeloma) from GlaxoSmithKline strengthened the position of the company in the fields of oncology and

Company profiles

→*haematology* and prepares the field for the future market introduction of Revimid. Celgene is also profiting from the increasing license revenue from the →*ADHD* franchise business with Novartis. Celgene has been profitable since 2003.

The Medicines Company



Market capitalization as at 12/31/2003: USD 1.4 bn

The aim of the company is the acquisition, development and marketing of biopharmaceutical products, which are in the last stage of development or have already been approved for marketing. Angiomax (Bivalirudin), the company's biggest selling product is a clotting inhibitor used to treat patients with unstable →*angina pectoris* following →*PTCA* (percutaneous transluminal coronary angioplasty). The REPLACE 2 study, the most extensive clinical study of its kind, proved that Angiomax offers definite advantages in comparison to unfractionated heparin; the danger of →*ischaemic complications* was less and blood loss was also significantly reduced. The results of further clinical studies show that patients treated with Angiomax have a significantly reduced mortality rate in comparison with those treated with heparin. Also, the risk of a second myocardial infarction is definitely reduced. Admittedly, the drug is more expensive than heparin but the pharmacoeconomic arguments are in Angiomax's favour, in that its use results in fewer complications. Apart from that the company is developing a →*calcium antagonist* which takes effect in ultra quick time (Clevidipine). The product is currently in Phase III.

Genzyme

Genzyme is one of the oldest companies in the biotechnology industry and specialises in treatments for very diverse, previously non-treatable diseases. Among them are rare genetic hereditary diseases, orthopaedic application areas and kidney diseases. Cerezyme, a biotechnologically manufactured →enzyme used in the treatment of →*type 1 Gaucher's disease* (a lysosomal storage disease) is Genzyme's most important product. The company improved the treatment of patients with kidney disease in the final stage with the introduction of Renagel in 1998, the only calcium and aluminium-free phosphate binder. In 2003 Genzyme introduced two important new products in the area of lysosomal storage diseases in the USA; Fabrazyme, a drug used to treat →Fabry's disease and Aldurazyme, a product for treating →*mucopolysaccharidosis type 1 (MPS I)*, which is being marketed together with the company Biomarin. Various products are currently under clinical development, among others, products used to treat malignant skin cancer (melanoma) and also therapeutic vaccines for kidney, breast and skin cancer.

Market capitalization as at 12/31/2003: USD 11.0 bn

Ligand Pharmaceuticals

Ligand has five products on the market and is involved in an active programme of cooperation based on licence contracts with several large pharmaceutical companies. Avinza, a morphine used to treat moderate to severe pain was approved and launched in 2002. In

Market capitalization as at 12/31/2003: USD 1.1 bn

April 2003 Ligand entered into a cooperation with Organon to market Avinza in the USA together. Other products are Targretin (gel and capsules), Ontak and Panretin. These products are used to treat various types of cancer and are mainly used in the so-called off-label-area (prescriptions outside the licensed indications). Numerous studies are in progress to discover other uses from →*lymphoma* to psoriasis. Three extensive Phase III studies were commenced in 2002. In these studies Targretin is being used in combination with chemotherapy in non-small cell lung cancer →*(NSCLC)*. It is expected that Ligand will achieve profitability in 2004.

MedImmune

MedImmune specialises in medication for combating infectious diseases. The product Synagis is a humanised monoclonal antibody, licensed for the prevention of severe diseases of the lower respiratory tract in young children caused by the respiratory syncytial virus →*(RSV)*. Flumist, MedImmune's second potential blockbuster was approved by the FDA on 17 June 2003. It is the first flu vaccine available as a nasal spray in the USA. Flumist costs approximately USD 60 per dose and is marketed together with Wyeth. The high price, the delayed introduction in the flu season 2003/2004 and also the fact that the competition has covered the market well, however, led to a disappointing turnover in the first flu season. The development pipeline of the company contains further vaccines and

Company profiles

therapeutic antibodies. In cooperation with GlaxoSmithKline there is currently a vaccine for the prevention of cervical cancer in Phase II studies.

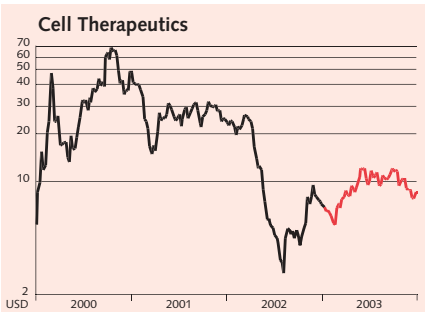
Market capitalization as at 12/31/2003: USD 6.3 bn

Pozen

Pozen specialises in the development of ➔*migraine* treatments. There are three drugs in the development pipeline. The main drug of the product portfolio, MT100, uses a patented therapeutic formulation from two agents which have already been on the market for a long time in an oral form (naproxen and metoclopramide) for initial treatment of mild to moderate migraine attacks. The results of clinical Phase III studies document that the product has a similar therapeutic benefit to the leading prescription-only migraine preparation ➔*(Triptane)*, but with a significantly improved side-effect profile. Applications for approval for MT100 have already been submitted in the UK and the USA and the company expects a response from the relevant authorities in the first half of 2004. The first sales agreements with Nycomed for marketing MT100 in Denmark, Sweden, Norway and Finland have been concluded. So far the FDA has refused to approve MT300, a patented formulation for injection for the treatment of acute migraine.

Market capitalization as at 12/31/2003: USD 290.6 mn

Cell Therapeutics



Market capitalization as at 12/31/2003: USD 435.2 mn

Cell Therapeutics is developing new methods of treating cancer. At the end of 2003 the company merged with the Italian biotechnology company Novuspharma. This has strengthened the product pipeline as well as the capital resources of the new company. Cell Therapeutics already markets Trisenox, an arsentrioxide, which is used in a number of blood cancers, among them leukaemia and multiple myeloma. The company also develops polyglutamated Taxol (PG-Taxol), an advanced form of the exceptionally successful cancer treatment Paclitaxel. PG-Taxol promises an improved ➔*pharmacokinetic effect* which could, in turn, lead to an improved side-effect profile, without diminishing the effect. The product is currently being tested in several Phase III studies for the treatment of ovarian cancer and lung cancer. At the same time Phase II tests are being carried out on cancers, among others, breast cancer and bowel cancer. Pixantrone, a promising drug which was brought to the new company from Novuspharma, is being tested in Phase III studies to treat NHL.

Virologic

Market capitalization as at 12/31/2003: USD 166.8 mn

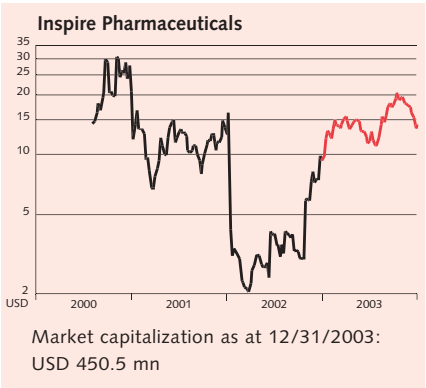
Virologic specialises in a so-called ➔*susceptibility testing* procedure for viral diseases. PhenoSense GT, the main company product, is a test procedure designed to ascertain HIV resistance profiles which are aiding the discovery of optimum treatment methods for HIV patients. In December 2003 the company presented a new susceptibility test procedure for the research and development of new medicines to treat hepatitis C infections. In August 2002 the US stock exchange authorities closed proceedings against Virologic due to alleged misleading information relating to turnover expectations in 2001 and 2002. The company should reach profitability in 2004.

Inspire Pharmaceuticals

Inspire specialises in the production and marketing of products to treat diseases characterized by deficiencies in the body's innate defence mechanisms of mucosal hydration and mucociliary clearance. In Phase III studies, the product Diquafosol has been proven to have a positive effect in the treatment of abnormally dry eyes (dry eye syndrome). Dry eye syndrome is a painful, burning irritation of the eyes which is caused by a disorder of the tear film. It is one of the most common complications of the eyes and affects around 10 mn people in the USA alone. Diquafosol is a dinucleotide which stimulates the P2Y receptor in the appropriate cells and thereby generates the formation of a healthy tear film. On 22 December 2003 the FDA has issued an approvable letter

Company profiles

for Diquafosol. The letter indicated that comments on proposed labelling will be provided by the FDA when the clinical issues have been adequately addressed. Three further products are currently at Phase II of clinical development.



Market capitalization as at 12/31/2003: USD 450.5 mn

Durect

Durect concentrates on the development of innovative technologies for administering (formulating) therapeutic agents, particularly in the area of pain therapy. The main product Chronogesic uses the successful DUROS technology platform of J&J Alza. DUROS is a tiny, implantable osmotic pump for administering drugs. This pump is inserted through a small incision directly under the surface of the skin and can be used over a long period for administering medicines. After agreement of the study protocol with the FDA a Phase III study should be commenced in 2004. The issue of a convertible loan of USD 50 mn has also strengthened Durect's capital base.

Market capitalization as at 12/31/2003: USD 127.9 mn

EyeTech Pharmaceuticals

(IPO at 01/29/2004)

EyeTech specialises to discover, develop and commercialize new drugs to reduce and prevent serious vision loss caused by eye disease. The company presented positive data on a Phase III study of Macugen in November. In the patients treated there was not only a slowing down and stabilising of the symptoms as with the current standard treatment, but in some there was even a significant improvement in their sight. Additionally, Macugen was seen to have an effect in all three subgroups of the wet age-related ➔*macular degeneration* which, at the same time, was a sensation in this area of treatment. Submission of the approval applications in the USA is planned for the third quarter of 2004. Thanks to a 'fast track' designation already having been awarded by the FDA it is expected that the drug will be approved in the first quarter of 2005. With the outstanding results of the Phase III study, EyeTech is checking the possibility to make an IPO in the first quarter of 2004.

Theravance

(not listed)

Theravance develops improved agents based on know-how in the areas of medicinal chemistry and pharmacology. The company announced a development and marketing partnership with GlaxoSmithKline (GSK) at the beginning of 2003. The association relates to the ➔*beta 2 agonist* programme for asthma and ➔*COPD* (chronic obstructive pulmonary disease). In December 2003 the first very promising results of a Phase II study were announced. They show a significant appreciation in the multivalent technology used by the company for discovering and developing active ingredients for low molecular weight treatments. Furthermore, Phase III studies will commence in the near future for a new generation of ➔*broadband i.v. antibiotics* and the optimisation of a series of active ingredients for bladder hyperactivity.

Auxilium Pharmaceuticals

(not listed)

The company Auxilium produces and markets medicines for male hormone replacement therapy. It is estimated that 25% of men over 45 have a testosterone level which is too low and which can lead to decreased muscular mass, reduced bone density and decreased sexual desire. Auxilium introduced its first drug to the market in March 2003. The product Testim, a testosterone gel, enables a continual supply of the hormone through the skin.

Source of charts: Datastream

Glossary

Acute heart failure: Heart failure can be described as an insufficient function of the heart. The heart is no longer able to provide the organs and tissue with sufficient blood and oxygen. There are differing degrees of severity (stage I – IV).

ADHD: Attention Deficit Hyperactivity Disorder: 3–5% of all children are affected by this attention disorder, with or without hyperactivity.

AIDS: (Acquired Immunodeficiency Syndrome) Chronic infection with human immunodeficiency virus (HIV). The function of certain cell types of the immune system is altered. Therefore, AIDS patients have a compromised immune system.

AIDS wasting syndrome (Serostim): AIDS patients often experience metabolic disorders and a loss of organ and muscle mass is observed. In the USA this syndrome is being successfully treated with Serostim (growth hormone).

Angina pectoris: A symptom complex usually involving chest pain which can occur during physical exercise. Usually a consequence of narrowed coronary arteries.

Arterial hypertension: Arterial hypertension is defined as blood pressure in the systemic circulation with a value of 140/90 or above.

Autoimmune disease: Disease caused by reaction of the body's immune system against a component of the body.

Beta-2-agonist: A drug which stimulates the beta-2-receptors. The smooth bronchial muscle relaxes as a result of the beta-2-agonist suppressing the release of endogenous spasmogenic substances.

Broad-band i.v. antibiotics: Antibiotics which have an effect on a variety of different pathogens.

Calcium antagonists: A drug which lowers blood pressure.

Cardiorenal diseases: Diseases of the heart.

COPD: (Chronic obstructive pulmonary disease) COPD, also called chronic obstructive lung disease, is a term that is used for two closely related diseases of the respiratory system: chronic bronchitis and emphysema. At first there may be only a mild shortness of breath and occasional coughing. As the disease progresses, the cough becomes more frequent and more and more effort is needed to get air into and out of the lungs. In later stages of the disease, the heart may be affected. Eventually death occurs when the function of the lungs and heart is no longer adequate to deliver oxygen to the body's organs and tissues. Most patients with these diseases have a long history of heavy cigarette smoking.

Endothelin: Naturally occurring hormone, most powerful vasoconstrictor, triggers constriction of vessels.

Enzyme: A protein that catalyses a specific reaction. Almost all chemical reactions occurring in uni- and multicellular organisms are catalyzed by enzymes.

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

Fabry's disease: Rare hereditary disease in which there is deficient activity of a lipocatabolic ➔*enzyme*. It leads to organic disorders, in particular to renal failure.

Glossary

FDA: Food and Drug Administration. US-authority which regulates market access of new drugs.

Haematology: Haematology is the study of blood diseases.

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

Hyperparathyroidism: Over production of the parathyroid hormone (PTH) due to pathological enlargement of one or more parathyroid glands. Chronically high levels of PTH can cause symptoms including bone loss, bone pain, high blood pressure, kidney stones and mental dysfunction in varying combinations and severity.

IMiDs (immunomodulatory drugs): Drugs which can influence the immune system and have a modulating effect.

Immunosuppressives: Drugs which suppress or weaken immune reactions.

Ischaemic complications: Disturbances of blood supply.

Keratinocyte growth factor: A growth factor which causes keratinocytes to increase. 90% of the epidermis in humans is made up of keratinocytes, the actual protective layer against the environment.

Lymphoma: This is a benign or malignant swelling of the lymph nodes.

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.

MDS (myelodysplastic syndromes): MDS is a pre-leukemic condition where the bone marrow stops making healthy blood cells and instead produces poorly functioning and immature blood cells.

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

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

Mucopolysaccharidosis type 1 (MPS 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 as GAG (glycosaminoglycans). As more and more GAG builds up in a person's body, almost all organs can be irreversibly damaged.

Mucositis: Inflammation of the mucous membranes (mucosa) in the oral cavity and gastrointestinal tract.

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

Myeloma: A cancer originating in the bone marrow.

Glossary

Neutropenia:	A reduction in a particular type of white blood cells (neutrophil granulocytes).
Non-Hodgkin's lymphoma:	Malignant cancer of the lymphatic system.
Non small cell lung cancer (NSCLC):	Plum-sized tumour in the lower segments of the lungs with a displacing effect.
Nucleotide reverse transcriptase inhibitor:	A drug which inhibits the viral polymerase through direct binding competition with the natural deoxyribonucleotide substrate. It blocks the conversion of viral RNA to DNA and thereby stops human cells from being infected by the virus.
Oncology/Cancer:	Oncology deals with the treatment of malignant tumors and related diseases. Cancer is defined by uncontrolled or inappropriate cell proliferation or division. Migration of cancer cells leads to metastasis. Cancer is the second most common cause of death in the developed world.
Pharmacokinetic effect:	The effect of a drug.
PTCA:	(Percutanous Transluminal Coronary Angioplasty) Important procedure for treatment of Coronary artery diseases (CAD). Coronary artery disease is the narrowing or obstruction of the vessels that supply blood and oxygen to the heart muscle. During PTCA, vessels are accessed via a catheter and expanded by dilation using balloons, in more and more cases the expanded vessel is stabilized by insertion of stents.
Psoriasis:	Disease of the skin leading to abnormal proliferation of the epidermis and scaling of the skin.
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* involving the destruction of the lining of the joints resulting in pain, swelling, stiffness, progressive joint destruction and immobilization.
RNA:	RNA is a nucleic acid which occasionally serves as a carrier of genotypes in living cells instead of DNA. In the majority of living creatures, however, RNA plays a subordinate role to DNA as an information carrier.
RSV:	(Respiratory Syncytial Virus) major causative agent of serious respiratory infections in prematurely born children or children with underdeveloped lungs or congenital cardiac abnormalities.
SeICIs (selective cytokine inhibitors):	Cytokines are proteins which have been largely formed from cells of the immune system and which control the differentiation and activation of these cells. SeICIs specifically block only cytokines which are targeted.
Subarachnoid haemorrhage (SAH):	A subarachnoid heaemorrhage 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).
Susceptibility testing:	Patients can be tested using this test procedure to see whether or not they respond to certain drugs.
Triptan medicines:	Medicines used for the treatment of migraine. As so-called serotonin agonists, they activate specific receptors in the brain to constrict the blood vessels that are dilated during a migraine attack.

Glossary

Type 1 Gaucher's disease: A rare, hereditary lysosomal storage disorder. Lipids, abnormal cerebrosides, are deposited in the spleen, liver and bone marrow. This leads to enlargement of and functional disorders in the affected organs.

Vasospasms: Spasms of the arteries which lead to narrowing and ischaemia.

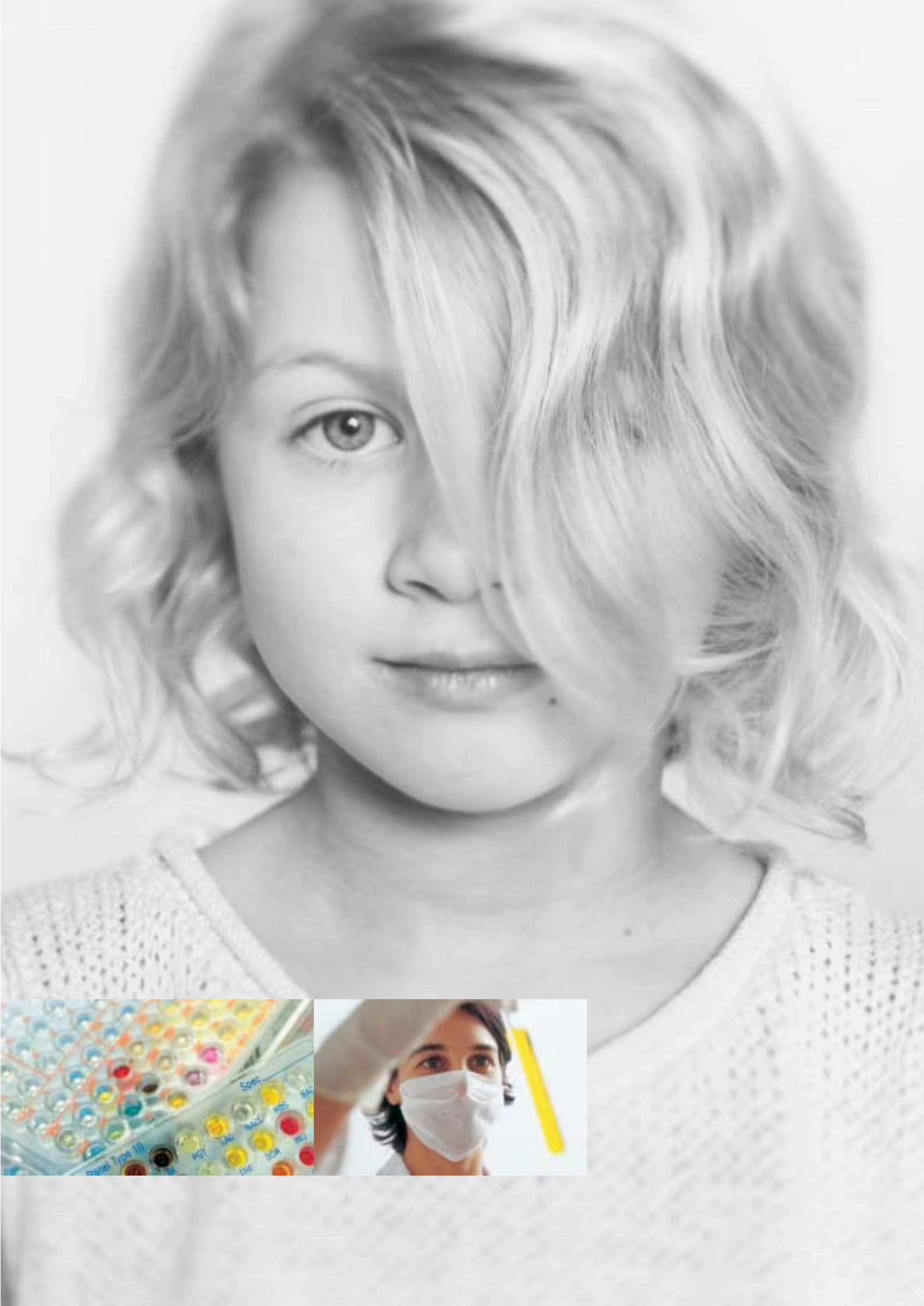
Clinical Trials and the Approval Process are conducted in three Phases:

Phase I: "First time in man" trials to determine the safety of a drug, its pharmacokinetics, metabolism, biodistribution and excretion; typically involving 5 to 50 healthy volunteers.

Phase II: Determination of optimal dosage, safety (and initial indication of efficacy); typically involving 50 to 200 patients.

Phase III: Statistically relevant determination of safety and efficacy, may also include interaction with other drugs; typically involving 100 to more than 1 000 patients, depending of the therapeutic category.

For marketing approval in the US, data from preclinical and clinical testing, and information about the manufacturing process are submitted to the Food and Drug Administration (FDA) in a New Drug Application (NDA) or Biologic License Application (BLA); an FDA advisory panel reviews the submission and gives a recommendation or non-recommendation for approval. The decision regarding marketing approval resides with the FDA, which usually, but not always follows the recommendation of the advising panel. The approval process in Europe is similar, leading agency is the EMEA (European Agency for the evaluation of Medicinal Products).



Consolidated financial statements

Consolidated balance sheet as at December 31 (in CHF 1 000)

Assets	Notes	2003	2002	Liabilities and shareholders' equity	Notes	2003	2002
Current assets				**Current liabilities**			
Liquid funds		7 666	199 597	Short-term borrowing from banks	5	13 000	–
Receivables from brokers		25 674	–	Payables to brokers		28 579	34 196
Marketable securities	4	1 949 351	1 604 462	Other short-term liabilities	6	1 865	4 460
Other assets		38	40	Tax provisions	7	68	153
		1 982 729	**1 804 099**			**43 512**	**38 809**
				Shareholders' equity			
				Share capital	8	27 800	27 800
				Treasury shares	8	(1 826)	(2 077)
				Additional paid-in capital	8	1 188 292	1 188 292
				Retained earnings		724 951	551 275
						1 939 217	**1 765 290**
Total assets	**12**	**1 982 729**	**1 804 099**	**Total liabilities and shareholders' equity**		**1 982 729**	**1 804 099**
Net Asset Value per share in CHF		74.66	68.63				

On February 21, 2004 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	2003	2002
Operating income			
Gains from marketable securities	4/12	191 756	–
Interest income		1 280	2 881
Dividend income		767	274
Other income		264	282
		194 067	**3 437**
Operating expenses			
Losses from marketable securities	4/12	–	1 536 734
Interest expenses		291	–
Foreign exchange losses net		1 423	19 644
Administrative expenses	9	7 662	33 975
Other expenses	10	5 189	4 179
		14 565	**1 594 532**
Operating income/(loss) before tax		**179 502**	**(1 591 095)**
Tax expenses	7	(167)	(189)
Net income/(loss) for the year		**179 335**	**(1 591 284)**
Gain/(loss) per share in issue and diluted gain/(loss) per share in issue in CHF	11	6.91	(60.70)

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/ (accumulated deficit)	Total
Balances at January 1, 2001	**27 800**	**(200)**	**1 188 309**	**3 099 242**	**4 315 151**
Capital increase costs	–	–	(17)	–	(17)
Trade with treasury shares (incl. balance change)	–	(858)	–	(89 162)	(90 020)
Net loss for the year	–	–	–	(790 962)	(790 962)
Balances at December 31, 2001	**27 800**	**(1 058)**	**1 188 292**	**2 219 118**	**3 434 152**
Balances at January 1, 2002	**27 800**	**(1 058)**	**1 188 292**	**2 219 118**	**3 434 152**
Trade with treasury shares (incl. balance change)	–	(1 019)	–	(76 559)	(77 578)
Net loss for the year	–	–	–	(1 591 284)	(1 591 284)
Balances at December 31, 2002	**27 800**	**(2 077)**	**1 188 292**	**551 275**	**1 765 290**
Balances at January 1, 2003	**27 800**	**(2 077)**	**1 188 292**	**551 275**	**1 765 290**
Trade with treasury shares (incl. balance change)	–	251	–	(5 659)	(5 408)
Net gain for the year	–	–	–	179 335	179 335
Balances at December 31, 2003	**27 800**	**(1 826)**	**1 188 292**	**724 951**	**1 939 217**

Consolidated statement of cash flow for the year ended December 31 (in CHF 1 000)

	Notes	2003	2002
Cash flows from operating activities			
Proceeds from sales of securities	4	1 161 629	1 252 991
Purchase of securities	4	(1 314 763)	(1 211 614)
Trade with treasury shares (incl. balance change)		(5 408)	(77 578)
Dividends		772	234
Interest receipts		1 278	2 884
Interest payments		(291)	–
Payments for services		(15 181)	(41 713)
Taxes paid	7	(253)	(150)
Total cash from operating activities		**(172 217)**	**(74 946)**
Cash flows from financing activities			
Loans	5	13 000	–
Receivables from/payables to brokers net		(31 291)	4 501
Total cash from financing activities		**(18 291)**	**4 501**
Foreign exchange difference		(1 423)	(19 644)
Decrease in cash and cash equivalents		**(191 931)**	**(90 089)**
Cash and cash equivalents at beginning of year		199 597	289 686
Cash and cash equivalents at end of year		**7 666**	**199 597**
Liquid funds		7 666	199 597
Cash and cash equivalents at end of year		**7 666**	**199 597**

Notes to the consolidated financial statements

1. The Company and its principal activity

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

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

2. Accounting policies

General

The consolidated financial statements of the Company and its subsidiary companies (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidation is prepared from the audited financial statements of the Group companies using uniform accounting principles. With the exception of financial assets and liabilities, the financial statements are prepared on a historical cost basis. The consolidated 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 year. In certain circumstances, the actual values may diverge from these estimates. In all other respects, the same accounting principles apply as used for the actual consolidated financial statements.

Basis of consolidation

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

Reporting currency

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

Liquid funds

Liquid funds comprise current accounts and call money at banks.

Receivables/Payables against brokers

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

Marketable securities

Securities and derivatives are valued according to IAS 39 and classified as held for trading. Initially securities and derivatives are recognized at cost including transaction costs and are subsequently re-measured at fair value based on quoted bid prices or generally accepted valuation models.
Realized gains and losses on security trading are recognized as net realized gains/losses from marketable securities at the day of the transaction. Changes in fair value of securities are recognized as net unrealized gains/losses from marketable securities in the income statement in the period in which they arise.

Taxes

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

Earnings per share

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

Notes to the consolidated financial statements

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

3. Changes in companies consolidated

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

4. Marketable securities

Marketable securities comprise the following:

Company	Number 12/31/2002	Change to 12/31/2002	Number 12/31/2003	Price in original currency		Valuation CHF mn 12/31/2003	Valuation CHF mn 12/31/2002
Amgen	7 350 000	(3 250 000)	4 100 000	USD	61.79	313.9	493.0
Actelion	1 165 000	715 782	1 880 782	CHF	133.50	251.1	71.1
Serono	124 802	133 457	258 259	CHF	882.00	227.8	92.5
Serono ADRs	500 000	(500 000)	0	USD	0.00	0.0	9.4
Gilead	0	2 775 500	2 775 500	USD	58.28	200.4	0.0
Biogen Idec [1]	5 575 800	(1 425 500)	4 150 300	USD	36.70	188.7	256.6
Celgene	0	3 000 000	3 000 000	USD	44.88	166.8	0.0
The Medicines Company (TMC)	2 980 500	1 043 575	4 024 075	USD	29.46	146.9	66.3
Genzyme	0	2 000 000	2 000 000	USD	49.29	122.1	0.0
Ligand Pharmaceuticals	2 692 500	307 500	3 000 000	USD	14.69	54.6	20.1
MedImmune	6 010 000	(4 810 000)	1 200 000	USD	25.38	37.7	226.6
Pozen	2 800 000	0	2 800 000	USD	10.20	35.4	20.0
Cell Therapeutics	920 500	2 079 500	3 000 000	USD	8.67	32.2	9.3
Virologic	3 605 004	2 121 426	5 726 430	USD	3.76	26.7	6.7
Inspire Pharmaceuticals	0	1 000 000	1 000 000	USD	14.15	17.5	0.0
Durect	2 254 957	0	2 254 957	USD	2.50	7.0	6.3
Neurocrine Biosciences	750 000	(750 000)	0	USD	0.00	0.0	47.5
CV Therapeutics	1 863 147	(1 863 147)	0	USD	0.00	0.0	47.1
Adolor	1 565 000	(1 565 000)	0	USD	0.00	0.0	30.2
Shire Pharmaceuticals	1 100 000	(1 100 000)	0	USD	0.00	0.0	28.8
Cubist Pharmaceuticals	1 120 000	(1 120 000)	0	USD	0.00	0.0	12.8
3-Dimensional Pharmaceuticals	2 850 483	(2 850 483)	0	USD	0.00	0.0	12.8
Enzon Pharmaceuticals	522 500	(522 500)	0	USD	0.00	0.0	12.1
Endo Pharmaceuticals	1 087 000	(1 087 000)	0	USD	0.00	0.0	11.6
Transkaryotic Therapies (TKT)	699 900	(699 900)	0	USD	0.00	0.0	9.6
Regeneron Pharmaceuticals	240 000	(240 000)	0	USD	0.00	0.0	6.2
Listed shares						**1 828.8**	**1 496.6**
EyeTech Pharmaceuticals	2 859 468	571 894	3 431 362	USD	7.05	30.0	28.0
Theravance (formerly Advanced Medicine)	3 111 111	0	3 111 111	USD	7.00	27.0	34.5
Auxilium Pharmaceuticals	0	5 000 000	5 000 000	USD	1.50	9.3	0.0
Unlisted shares						**66.3**	**62.5**
Total shares						**1 895.1**	**1 559.1**

[1] November 12, 2003, merger of IDEC Pharmaceuticals and Biogen Inc.

Notes to the consolidated financial statements

Company	Number 12/31/2002	Change to 12/31/2002	Number 12/31/2003	Price in original currency		Valuation CHF mn 12/31/2003	Valuation CHF mn 12/31/2002
Biogen Idec Zero Bond [1]	42 000 000	0	42 000 000	USD	59.03	30.7	32.4
Virologic Bond Series C Conv. (OTC)	2 421 304	(2 421 304)	0	USD	0.00	0.0	2.7
Total convertible bonds						**30.7**	**35.1**

[1] November 12, 2003, merger of IDEC Pharmaceuticals and Biogen Inc.

Company	Number 12/31/2002	Change to 12/31/2002	Number 12/31/2003	Price in original currency		Valuation CHF mn 12/31/2003	Valuation CHF mn 12/31/2002
Derivative instruments (share, type, strike price, expiration date, conversion ratio)							
The Medicines Company (TMC), Call Option, USD 5.92, 10/19/2004, 1:1	675 925	0	675 925	USD	23.60	19.8	10.1
Virologic, Call Option, USD 1.11, 09/25/2006, 1:1	0	990 993	990 993	USD	3.06	3.8	0
Auxilium Pharmaceuticals, Call Option, USD 1.50, 10/30//2010, 1:1	0	1 501 501	1 501 501	USD	0.00	0	0
Endo Pharmaceuticals, Call Option, USD 25, 11/09/2003, 1:1	1 449 500	(1 449 500)	0	USD	0.00	0	0.1
Virologic, Call Option, USD 2.508, 09/25/2006, 1:1	438 597	(438 597)	0	USD	0.00	0	0.1
EyeTech, Call Option, USD 6.8, 07/18/2008, 1:1	571 894	(571 894)	0	USD	0.00	0	0
Virologic, Call Option, USD 5.91, 08/30/2003, 1:1	199 705	(199 705)	0	USD	0.00	0	0
Total derivative instruments						**23.6**	**10.3**
Total securities						**1 949.4**	**1 604.5**
				USD 1 = CHF		*1.2390*	*1.3876*

The options are valued on the basis of a widely used valuation model at December 31, 2003.
The marketable securities are deposited with Credit Suisse, Zurich, Luzerner Kantonalbank, Lucerne, Dresdner Bank, Frankfurt, Morgan Stanley, London 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, 2002 to December 31, 2002 (incl. securities short, in CHF 1 000)

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

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

Notes to the consolidated financial statements

Change in value by investment category from January 1, 2003 to December 31, 2003 (incl. securities short, in CHF 1 000)

	Listed shares	Unlisted shares	Convertible bonds	Derivative instruments	Total
Opening balance as at 01/01/2003 at fair values	**1 496 511**	**62 510**	**35 213**	**10 228**	**1 604 462**
Purchases	1 294 245	15 534	–	4 984	1 314 763
Sales	(1 157 248)	–	–	(4 381)	(1 161 629)
Reclassification [1)]	2 775	–	(2 775)	–	–
Realized gains	112 759	–	–	4 368	117 127
Realized losses	(98 526)	–	–	(5 072)	(103 598)
Unrealized gains	240 393	–	–	13 399	253 792
Unrealized losses	(62 033)	(11 814)	(1 719)	–	(75 566)
Net (losses)/gains from marketable securities	192 594	(11 814)	(1 719)	12 695	191 756
Closing balance as at 12/31/2003 at fair values	**1 828 876**	**66 230**	**30 719**	**23 526**	**1 949 351**

[1)] Conversion of Virologic convertible bond into Virologic preferred shares.

5. Short-term borrowings from banks (in CHF 1 000)

Short-term borrowings from banks comprise the following:

	12/31/2003	12/31/2002
Short-term loan	13 000	0
Total	**13 000**	**0**

At December 31, 2003 CHF 13 mn credits are claimed at 0.67% p.a. (2002: none).

6. Other short-term liabilities (in CHF 1 000)

Other short-term liabilities comprise the following:

	12/31/2003	12/31/2002
Payables to the asset manager	0	75
Payables to the Board of Directors	1 203	3 423
Total liabilities to related parties	**1 203**	**3 498**
Other liabilities	662	490
Accrued expenses	0	472
Total liabilities to third parties	**662**	**962**
	1 865	**4 460**

Liabilities to related parties represent unpaid fees.

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, 2003, BB BIOTECH AG, Schaffhausen, had a nettable loss carryforward of CHF 11 739 250 on its books from the year 1999; this loss carryforward remains nettable until 2006.

Notes to the consolidated financial statements

8. Shareholders' equity

The share capital of the Company consists of 27.8 mn fully paid bearer shares (2002: 27.8 mn) with a par value of CHF 1 each (2002: CHF 1). Additional paid-in capital result from additional paid-in premiums upon share capital increases less capital increase costs. CHF 5.56 mn of the additional paid-in capital (2002: CHF 5.56 mn) are undistributable.

	Par value per share in CHF	Nominal value of the share capital in CHF 1 000	Bearer shares Number	Treasury shares Number	Out-standing shares Number
January 1, 2002	**1**	**27 800**	**27 800 000**	**1 057 642**	**26 742 358**
Purchases of treasury shares at an average price of CHF 79.33				3 241 584	(3 241 584)
Sales of treasury shares at an average price of CHF 80.80				(2 222 323)	2 222 323
December 31, 2002	**1**	**27 800**	**27 800 000**	**2 076 903**	**25 723 097**
January 1, 2003	**1**	**27 800**	**27 800 000**	**2 076 903**	**25 723 097**
Purchases of treasury shares at an average price of CHF 62.75				5 484 148	(5 484 148)
Sales of treasury shares at an average price of CHF 59.05				(5 735 329)	5 735 329
December 31, 2003	**1**	**27 800**	**27 800 000**	**1 825 722**	**25 974 278**

Further on there exists an authorized capital of CHF 6.7 mn (2002: CHF 6.7 mn).

9. Administrative expenses (in CHF 1 000)

Administrative expenses comprise the following:

	2003	2002
Fund manager		
– Fixed fees portion	6 928	8 045
– Performance fees	0	22 790
Board of Directors remuneration		
– Fixed fees portion	693	804
– Performance fees	0	2 279
– Social security employer's contribution	41	56
	7 662	**33 975**

The member of the Board of Directors with the highest remuneration earned in 2003 a total of CHF 234 000 (2002: CHF 1 084 000) in cash.

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

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

Performance-related fee:
The performance-related fee is calculated quarterly and amounts to 0.19% of the market value at the end of the previous period in the case of an increase in the stock price of 5 to 10% per annum (p.a.), an additional 0.25% in the case of an increase of 10 to 15% p.a., and an additional 0.31% in the case of an increase of 15 to 20% p.a. The price basis or hurdle for the performance-related pay component rises after each quarter 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 (03/31/2004) the hurdle rates for payment of a performance related fee will be as follows:

– 19.5 mn shares (70.1% of the Company): CHF 90.71
– 4 mn shares (14.4%): CHF 97.13
– 1 mn shares (3.6%): CHF 100.28
– 1.7 mn shares (6.1%): CHF 206.24
– 1.6 mn shares (5.8%): CHF 212.10

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

10. Other expenses (in CHF 1 000)

Other expenses comprise the following:

	2003	2002
Bank charges	1 247	1 158
Annual General Meeting and financial reporting	2 150	1 984
Other expenses	1 792	1 037
	5 189	**4 179**

11. Earnings per share

	2003	2002
Net gain/(loss) for the year (in CHF 1 000)	179 335	(1 591 284)
Weighted average number of shares in issue	25 968 238	26 217 504
Gain/(loss) per share in CHF	**6.91**	**(60.70)**

At December 31, 2003 there were no potential issues of bearer shares, which would have a dilution effect.

Notes to the consolidated financial statements

12. Information by geographical area (in 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	12/31/2003	12/31/2002
USA	1 495 832	1 513 062
Switzerland	486 895	262 204
Germany	2	0
Great Britain	0	28 833
	1 982 729	**1 804 099**

Gain/(loss) from marketable securities	2003	2002
Switzerland	129 378	(68 013)
USA	57 441	(1 466 911)
Great Britain	4 937	(1 809)
	191 756	**(1 536 734)**

13. Assets pledged

The securities are a collateral for a credit line of CHF 200 mn and USD 140 mn (2002: CHF 200 mn). At December 31, 2003 the Group has claimed credits of CHF 13 mn at 0.67% p.a. (2002: none).

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

The Group had no commitments or other off-balance sheet transactions open at December 31, 2003 (2002: 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, 2003 no proceedings existed which could have any material effect on the financial position of the Group (2002: none).

15. Financial instruments

Off-balance sheet transactions

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

Credit risks

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

Market risk

Risk associated with changing market rates

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

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

Interest risk

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

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

Fair values
As at December 31, 2003 and December 31, 2002 the values in the balance sheet of liquid funds, other receivables, short-term borrowings from banks, other short-term liabilities and the tax provision correspond to fair values because of their short-term maturity.
The values of marketable securities also correspond to their fair values. Details about valuation are shown in the accounting policies as well as in note 4.

Diversification
As a rule, the securities portfolio consists of four to eight core holdings as well as 10 to 20 minor ones. The maximum share of companies without a stock-market listing is 10%.

As per December 31, 2003 the Company held seven core investments, representing 78.6% of the portfolio. The portfolio is – in line with the strategy – concentrated on a limited number of investments. Risk diversification is therefore bounded.

16. Related party transactions

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. The administration and legal costs incurred at Bellevue Asset Management were passed on to the BB BIOTECH Group, totaling CHF 267 744.

17. Subsequent events

On January 29, 2004, Eye Tech Pharmaceuticals performed an IPO at an issue price of USD 21.00 per share. The valuation at year-end amounted to USD 7.05. There have been no events subsequent to December 31, 2003, which would affect the financial statements 2003.

Report of the group auditors

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

As auditors of the group, we have audited the consolidated financial statements (balance sheet, statement of income, statement of changes in equity, statement of cash flows and notes/pages 26 to 35) of BB BIOTECH AG for the year ended December 31, 2003.

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

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

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

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

PricewaterhouseCoopers AG

Albert Schönenberger Adrian Keller

Zug, February 21, 2004

Financial statements BB BIOTECH AG

Balance sheet as at December 31 (in CHF)

Assets	Notes	2003	2002	Liabilities and shareholders' equity	Notes	2003	2002
Current assets				**Current liabilities**			
Liquid funds		425 000	455 737	Other current liabilities			
Other receivables				– Third parties		35 393	33 313
– Third parties		1 777	405	– Related parties		1 202 987	3 498 140
– Group companies		59 634 490	61 878 627	Provisions		229 957	589 136
		60 061 267	**62 334 769**			**1 468 337**	**4 120 589**
Fixed assets				**Shareholders' equity**			
Financial fixed assets				Share capital		27 800 000	27 800 000
– Investments		1 177 069 500	1 177 069 500	Legal reserves			
				– General reserve		5 560 000	5 560 000
				– Reserve for own shares		123 224 359	133 728 672
				Other reserves		1 087 306 695	1 076 802 382
				Accumulated deficit	2	(8 228 624)	(8 607 374)
		1 177 069 500	**1 177 069 500**			**1 235 662 430**	**1 235 283 680**
Total assets		**1 237 130 767**	**1 239 404 269**	**Total liabilities and shareholders' equity**		**1 237 130 767**	**1 239 404 269**

On February 21, 2004 BB BIOTECH AG's Board of Directors authorized these financial statements for issue.

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

	2003	2002
Operating income		
Interest income	1 848 842	1 668 338
Other income	2 327 306	11 532 593
	4 176 148	**13 200 931**
Operating expenses		
Administrative expenses	810 975	3 140 303
Interest expenses	1 243	963
Depreciation	0	6 144 118
Other expenses	2 871 508	2 710 704
	3 683 726	**11 996 088**
Operating income before tax	**492 422**	**1 204 843**
Taxes	(113 672)	(127 038)
Net income for the year	**378 750**	**1 077 805**

Notes to the financial statements

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

1.1 Guarantee

BB BIOTECH AG has provided a guarantee of CHF 200 mn and USD 140 mn to a bank relating to a credit line granted to its subsidiaries (2002: CHF 200 mn). At December 31, 2003 CHF 13 mn credits are claimed (2002: none).

1.2 Significant investments

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

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

1.3 Own shares

	Number of shares
Balance as at January 1, 2003	**2 076 903**
Purchases at an average price of CHF 62.75	5 484 148
Sales at an average price of CHF 59.05	(5 735 329)
Balance as at December 31, 2003	**1 825 722**

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

1.4 Capital increase

	12/31/2003 CHF	12/31/2002 CHF
Authorized capital	6 700 000	6 700 000

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

2. Movements on retained earnings (in CHF)

	2003	2002
Accumulated deficit at the beginning of the year	(8 607 374)	(9 685 179)
Net income for the year	378 750	1 077 805
Accumulated deficit at the end of the year	**(8 228 624)**	**(8 607 374)**

Proposal of the Board of Directors for appropriation of the capital surplus and retained earnings (in CHF)

	2003 Proposal of the Board	2002 Proposal of the Board
Accumulated deficit	(8 228 624)	(8 607 374)
Appropriation of other reserves	78 500 000	–
Retained earnings/(accumulated deficit) at the disposal of the Annual General Meeting	**70 271 376**	**(8 607 374)**
Dividend	69 500 000	–
Carry forward to the next period	771 376	(8 607 374)
	70 271 376	**(8 607 374)**

Report of the statutory auditors

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes/pages 37 and 38) of BB BIOTECH AG for the year ended December 31, 2003.

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

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

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

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

PricewaterhouseCoopers AG

Albert Schönenberger Adrian Keller

Zug, February 21, 2004

Information on corporate governance

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

1. Group structure and shareholdership

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

2. Capital structure

Please refer to the notes to the consolidated annual financial statements and "Shareholder information" at page 43. The terms and conditions relating to authorized capital are available on our website ("About BB BIOTECH", "Statuten").

3. Board of Directors

3.1 Members, first election, nationality and stock holding

Dr. Ernst Thomke, Chairman (1993), Switzerland. Chairman of Metalor Technologies, BB MEDTECH. 30 000 shares (21 500 as at 09/30/2003).
Prof. Dr. med. Thomas D. Szucs, Vice Chairman (2003), Switzerland. Co-Chairman of the European Center of Pharmaceutical Medicine. 800 shares (400 as at 09/30/2003).
Prof. Dr. David Baltimore (1993), USA. President of the California Institute of Technology, Nobel laureate. No shares.

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

3.2 Crossed Board/Management functions

Prof. Dr. David Baltimore is Board Member of Amgen and MedImmune.

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

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

3.5 Director's Dealing

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

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 mandate agreement is valid for an indefinite period and may be terminated by either party subject to 12 months' notice.
Detailed information on this mandate (issuing prospectus) and the members of the management involved is available from the website ("about BB BIOTECH").

5. Remuneration

See note 9 of the consolidated financial statements for details relating to remuneration. The remuneration model is defined by the Board of Directors but has remained unchanged since the Company was founded.

Information on corporate governance

6. Stockholders' rights of cooperation

6.1 Limitations to voting rights; voting by proxy

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

6.2 General meeting

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

6.3 Dividend policy

No dividends were distributed until the year 2003. In 2004, the Company's dividend policy is to be modified: in future, a dividend is to be paid out which will be linked to the discount of the share price to the Net Asset Value. The following model is to be 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, starting in the fiscal year from January 1 through December 31, 2003. The dividend will be paid out in cash.

The dividend proposed for the 2003 fiscal year amounts to CHF 2.50 and is to be paid out on the day after the general meeting.

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 has been responsible for auditing the company's books since fiscal 2003.

8.2 Fees

The following fees for professional services in the year ended December 31, 2003 were invoiced using an accruals basis:

Audit fees (including interim audits) PricewaterhouseCoopers: CHF 125 158

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

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

9. Information policy/diary of company events

Please refer to "Shareholders information" at page 43.

10. Trading in own stocks

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

Shareholder information

Company profile

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

Official listing and share structure

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

Shareholder information

- The Company publishes its Net Asset Value daily via the major stock market information services (Reuters, Bloomberg, the Swiss financial news agency AWP, the German news service VWD) and on its website www.bbbiotech.com.
- The portfolio composition is published 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)		
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 2004

Annual General Meeting:	April 20, 2004, 04.00 PM, Lake Side Casino Zürichhorn, Bellerivestrasse 170, CH-8008 Zurich
3 Months Report:	April 29, 2004, 07.30 AM CET
BB BIOTECH Information Days:	May 10 to 13, 2004 (Details see at www.bbbiotech.com)
Interim Report:	August 5, 2004, 07.30 AM CET
9 Months Report:	October 28, 2004, 07.30 AM CET
Prel. Report & Portfolio 2004:	January 27, 2005, 07.30 AM CET
Annual Report 2004:	March 10, 2005, 07.30 AM CET

Contact for investors and media

Bellevue Asset Management AG, Seestrasse 16, CH-8700 Küsnacht, Phone +41 1 267 67 00, Fax +41 1 267 67 01, info@bellevue.ch

BBBIOTECH

BB BIOTECH AG
Vordergasse 3, CH-8200 Schaffhausen
www.bbbiotech.com

BELLEVUE ASSET MANAGEMENT AG

Seestrasse 16/P.O. Box, CH-8700 Küsnacht
Phone +41 1 267 67 00, Fax +41 1 267 67 01
Internet: http://www.bellevue.ch
E-Mail: info@bellevue.ch