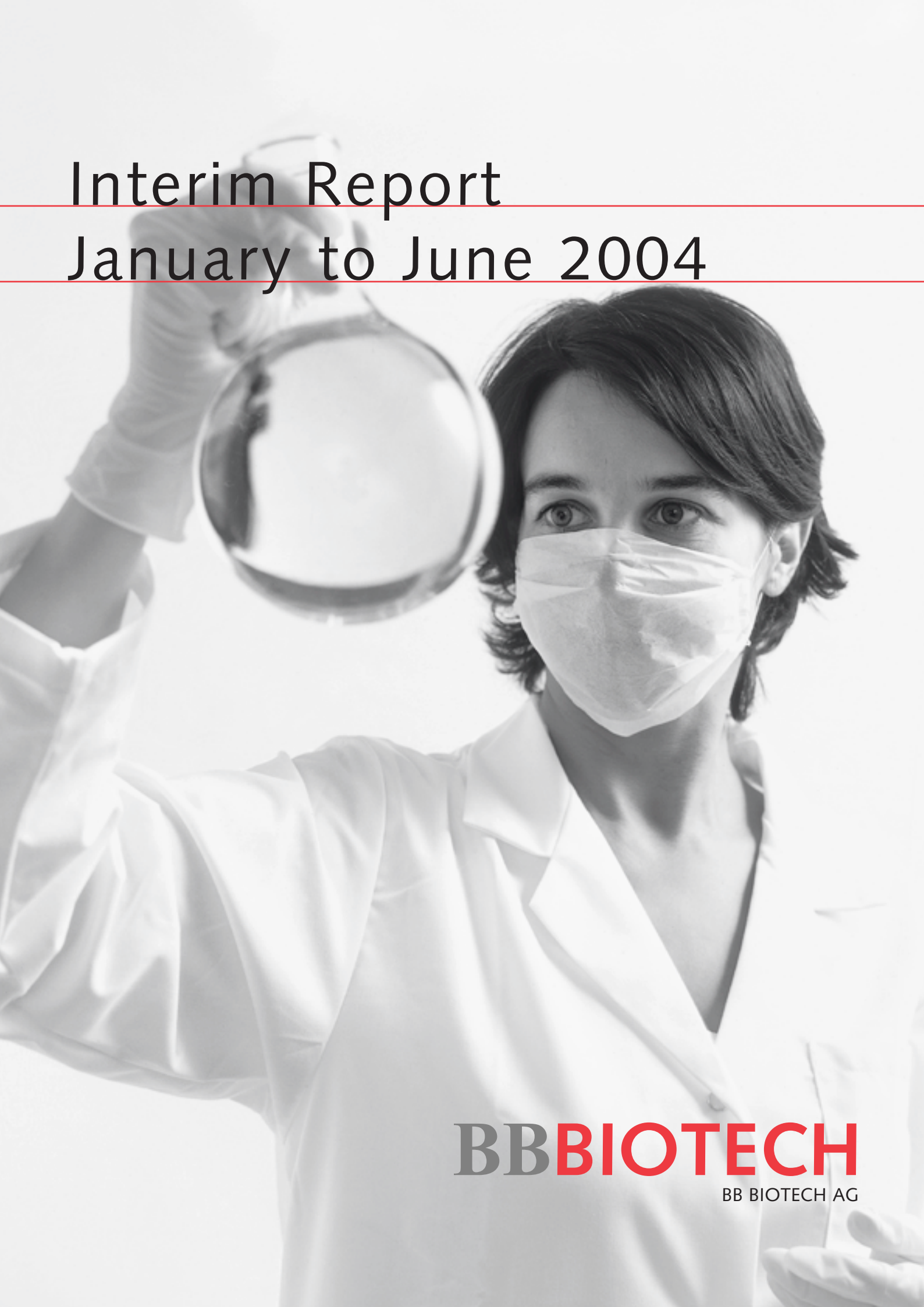
Interim Report
January to June 2004



BBBIOTECH

BB BIOTECH AG

Interim Report

Letter to the Shareholders

Dear Shareholders

BB BIOTECH enjoyed a healthy development of most of its portfolio holdings during the first half of 2004. In particular, our participations in EyeTech, Biogen Idec, Sepracor, Celgene, and Gilead recorded significant appreciation in their share prices. BB BIOTECH's share price increased to CHF 72, up 18%, and BB BIOTECH's Net Asset Value (NAV) increased to CHF 85, up 17%. The share price, as well as the Net Asset Value, both performed significantly better than comparable indices after adjustment for exchange rate effects.

With new participations in Sepracor, ICOS, AtheroGenics, Elan, and Telik, we have expanded BB BIOTECH's portfolio. Sepracor, in particular, has already contributed significantly to the performance of the portfolio and has become a core position. We reduced our participations in Biogen Idec, Amgen, and Actelion, and divested our holdings in MedImmune, Serono, and Inspire to free up resources for investment in more compelling opportunities.

Innovative drugs are the foundation of successful biotech companies, especially when they allow existing treatments to be improved significantly. In the second half of the year, the drug Macugen, used to treat wet AMD (age-related macular degeneration) and developed by our holding EyeTech Pharmaceuticals, could turn out to be a medical breakthrough. Thanks to convincing clinical data, EyeTech's initial public offering at the beginning of the year became one of the most successful biotech IPOs. BB BIOTECH is the largest shareholder of EyeTech, owning 9% of the company. Since then the company has made significant progress. The drug received expedited review status by the FDA and an advisory panel meeting was scheduled for August 27. In addition, new positive clinical data for treatment of Diabetic Macular Edema (DME) were presented.

In the area of autoimmune diseases, Biogen Idec's Antegren may offer significant efficacy and safety advantages over existing multiple sclerosis therapies. The approval of Macugen and Antegren is expected by the end of this year. Both drugs are testimony to the innovative strengths of the biotechnology industry.

As part of the measures to continue to reduce the discount, BB BIOTECH paid out a dividend for the first time, which further increased the attractiveness of BB BIOTECH's shares. By way of support, 7.6% of its own shares were bought back and will be cancelled in the next few weeks.

At our Annual General Meeting in April, our shareholders agreed to the new composition of our Board of Directors, electing Dr. Clive Meanwell. Dr. Meanwell is a leader in the biotech industry, including being the founder and chairman of The Medicines Company. Our former chairman, Dr. Ernst Thomke, retired from the Board of Directors after a ten-year tenure that witnessed a huge growth in BB BIOTECH and return for investors. The Board of Directors also elected Prof. Dr. med. Szucs as the new chairman in order to accommodate the increasing significance of cost-efficiency with regard to new drugs.

We are also expecting good news to be in abundance in the second half of the year as we are looking forward to the approval and market introduction of several new drugs. In addition to EyeTech's Macugen and Biogen Idec's Antegren, we have high expectations for Gilead's Viread/Emtriva combination for treating AIDS and Sepracor's sleeping pill Estorra. Furthermore, a number of our holdings are set to reach important clinical development milestones. Among these are Actelion's Veletri, a potential drug for the treatment of acute heart failure, and AtheroGenics' AGI-1067 which has potential for the treatment of arteriosclerosis.

These product-driven events, in combination with reasonable valuations, continue to make biotech equity investments very attractive.

The Board of Directors of BB BIOTECH AG

Prof. Dr. med. Thomas Szucs
Chairman

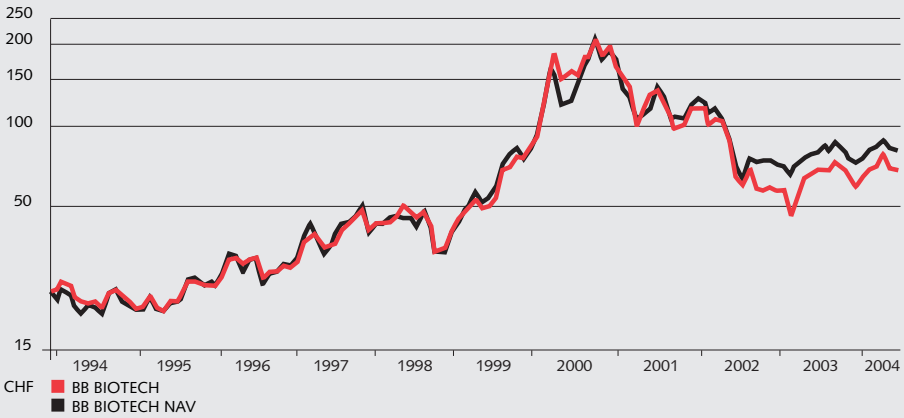
Prof. Dr. David Baltimore

Dr. Clive Meanwell

Key figures

Performance

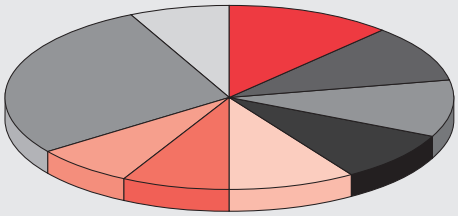
Bearer shares (Switzerland):	
12/31/2003–06/30/2004	**18%**
Bearer shares (Germany):	
12/31/2003–06/30/2004	**20%**
Bearer shares (Italy):	
12/31/2003–06/30/2004	**19%**
Net Asset Value (in CHF):	
12/31/2003–06/30/2004	**17%**
Performance since launch p.a.:	
11/15/1993–06/30/2004	**11%**
Outperformance (Net Asset Value) vs. Biotech-Index (BTK) since launch (Nov. 1993):	**40%**
Market capitalization as at 06/30/2004: CHF 2 002 mn/EUR 1 312 mn	



Swiss Stock Exchange, Source: Datastream

Portfolio as at 06/30/2004

Securities and Liquid funds:	**CHF 2 117 mn**
Gilead	12%
Celgene	10%
Biogen Idec	10%
Sepracor	9%
EyeTech Pharmaceuticals	9%
The Medicines Company	8%
Actelion	7%
Small participations	28%
Liquid funds	7%



Volume and Ranges

	01/01–06/30/2004	2003	2002	2001
High/low share price in CHF (SWX):	79.80/62.55	74.75/47.00	125.75/49.80	176.00/81.50
High/low Net Asset Value in CHF:	91.70/74.70	87.70/66.10	128.40/60.30	158.60/90.10
Closing price at the end of the period in CHF:	72.00	62.95	56.80	125.75
Net Asset Value at the end of the period in CHF:	84.89	74.66	68.63	128.42
High/low in EUR (Xetra):	51.20/39.60	48.40/31.66	83.50/33.60	116.50/55.50
High/low in EUR (Nuovo Mercato):	50.70/40.01	47.67/31.96	83.00/33.80	113.00/55.15
High/low Net Asset Value in EUR:	59.20/47.80	56.40/45.00	89.20/41.00	105.10/58.90
Closing price (D) at the end of the period in EUR:	46.80	40.15	38.96	83.50
Closing price (I) at the end of the period in EUR:	46.80	40.65	38.10	83.28
Net Asset Value at the end of the period in EUR:	55.67	47.90	47.23	86.70
Average daily trading volume in CHF 1 000:	9 619	7 186	6 982	13 365

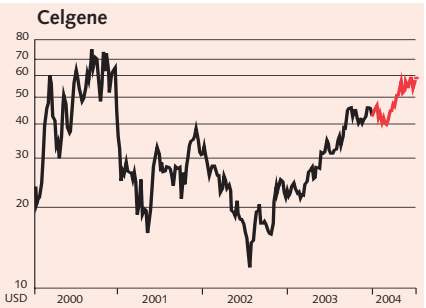
Company profiles

Gilead

Market capitalization as at 06/30/2004: USD 14.4 bn

Gilead develops medicines used in the treatment and prevention of infectious diseases such as AIDS, hepatitis B and influenza. Gilead's main product Viread, a nucleotide reverse transcriptase inhibitor, is used to treat HIV infections and is firmly established as a mainstay of antiretroviral therapy. 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. A combination Viread/Emtriva tablet intended for once daily dosing is anticipated to be approved in September 2004. A positive outcome would lead to a clear advantage over competitors' products. 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 million 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.

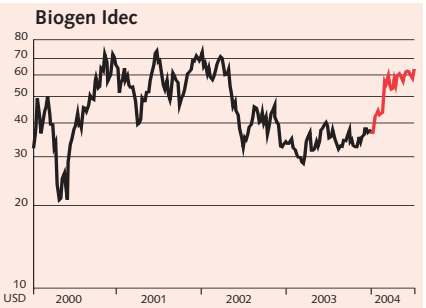
Celgene



Market capitalization as at 06/30/2004: USD 4.7 bn

Profitable since 2003, Celgene specializes in the development and marketing of new drugs for cancer and inflammatory diseases. The lead product, Thalomid, was approved in 1998 for the treatment of an inflammatory complication of leprosy. However, its primary use is off-label for multiple myeloma; official FDA approval for this indication is expected by October 2004. Other off-label uses include MDS (myelodysplastic syndrome) and various solid tumors. The pipeline products include the IMiD (immunomodulatory drug) Revlimid, an analog of Thalomid with equivalent efficacy and improved safety that is in Phase III trials for multiple myeloma and Phase II trials for MDS. FDA approval for this potential USD 1 bn product is expected by the second half of 2005. Celgene is developing other IMiDs with the promise of greater potency and improved toxicity versus Thalomid, as well as another class of Thalomid analogs called the SelCiDs (selective cytokine inhibitor drugs) for inflammatory disorders. The 2003 acquisition of Melphalan (for multiple myeloma treatment) from GlaxoSmithKline added another marketed product and strengthened the company's haematology franchise. Celgene also receives royalties on sales of Ritalin and Focalin (ADHD) by Novartis.

Biogen Idec



Market capitalization as at 06/30/2004: USD 21.5 bn

Biogen Idec is the fourth largest biotechnology company in the world. The company has several leading drugs on the market or in clinical development. 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 labeled with yttrium-90. In the USA Biogen Idec markets Zevalin itself, outside the USA sales are transacted through Schering. Amevive, a drug with an immunesuppressive effect used to treat psoriasis, was approved and introduced in the USA at the beginning of 2003. The current most important product in the pipeline is Antegren, which is a humanized alpha-4 integrin antibody, being developed in an equal partnership with Elan Corp, for the treatment of various autoimmune diseases. Antegren is currently in two-year pivotal studies for the treatment of multiple sclerosis, as monotherapy and in combination with Avonex. Biogen Idec and Elan recently received a priority review for the one-year data from the two pivotal trials that they had submitted to the FDA in May. Antegren in a 6-month Phase II trial showed

Company profiles

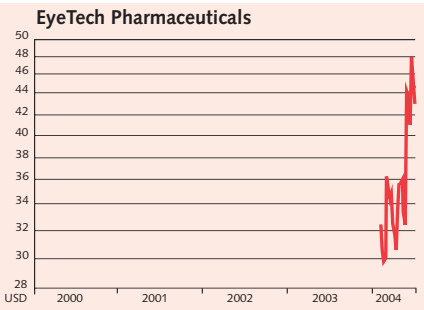
superior efficacy data in reducing relapse rates and new MRI lesions, and better tolerability profile compared to the interferon MS drugs that are in the market. The strong clinical data, the monthly dosing profile and the priority review for approval suggest that Antegren would have subtle advantages over the existing marketed treatments and could change the dynamics of the MS market. We expect to see the clinical data from the monotherapy trial to be presented at the ECTRIMS meeting in October 2004, and Antegren approval by the end of 2004.

Sepracor

Market capitalization as at 06/30/2004: USD 4.5 bn

Sepracor Inc. is a research-based pharmaceutical company that has developed an extensive portfolio of pharmaceutical compound candidates, with a focus on respiratory and central nervous system disorders. The immediate focus of the company is Estorra, a single isomer version of the leading sleep medication in Europe (Imovane). The company has received an approvable letter from the FDA and is generally expected to gain a complete approval by year end. This product is wholly owned by the company and they will market directly through a recently expanded sales force. In addition, Xopenex is Sepracor's short-acting bronchodilator and is used by patients with diseases that cause narrowing of the airways, such as asthma. Sepracor has submitted an NDA for a metered dose inhaler formulation of this drug which is expected to drive revenue growth through the next several years. Sepracor has built a diversified portfolio with several major out-licensing agreements including: Schering-Plough for CLARINEX® (desloratadine); Aventis for ALLEGRA® (fexofenadine HCl); and UCB Farchim SA for XYZAL® /XUSAL™ (levocetirizine).

EyeTech Pharmaceuticals

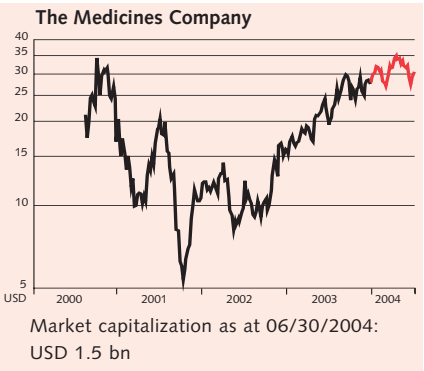


Market capitalization as at 06/30/2004: USD 1.7 bn

EyeTech specializes in the discovery, development and commercialization of 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 2003. In the patients treated there was not only a slowing down and stabilizing 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 would be a significant breakthrough in this area of treatment. An NDA has been submitted in the first quarter of 2004 with a panel scheduled in August 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 fourth quarter of 2004. EyeTech has been one of the most successful IPO's of 2004.

Company profiles

The Medicines Company



Market capitalization as at 06/30/2004: USD 1.5 bn

The aim of the company is the 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. While the drug is more expensive than heparin there are still significant pharmoeconomic arguments in favor of Angiomax since its use results in fewer complications. Apart from that the company is developing a calcium antagonist which takes effect in ultraquick time (Clevidipine) and a short-acting inhibitor of platelet activation (Cangrelor). Clevidipine is currently in Phase III and Cangrelor is expected to enter Phase III in early 2005.

Actelion

Market capitalization as at 06/30/2004: CHF 3.2 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 in 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. Tracleer is in late-stage clinical development for treatment of Idiopathic Pulmonary Fibrosis and Pulmonary Fibrosis due to Scleroderma. Results from these trials are expected to become available in 2006. 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. The drug already passed its first interim review by the Data Safety Monitoring Board, the full results will become available in the first half of 2005.

Actelion develops one additional selective endothelin receptor A antagonist called Clazosentan, for the treatment of vasospasms as a result of subarachnoid haemorrhage (SAH). Furthermore, 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 and runs Phase II clinical trials for an urotensin II receptor antagonist.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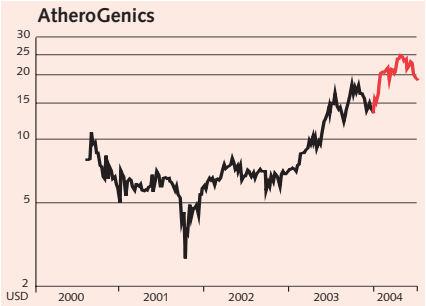
Company profiles

New participations

AtheroGenics



Market capitalization as at 06/30/2004:
USD 704 mn

AtheroGenics is an emerging pharmaceutical company focused on the treatment of chronic inflammatory diseases, such as atherosclerosis, rheumatoid arthritis and asthma. AtheroGenics has assembled a proprietary v-protectant technology platform which is the basis of three compounds, currently in clinical development. V-protectants are drugs that block a class of signals, called oxidant signals, which are generated within endothelial cells. These oxidant signals activate genes, which produce inflammatory proteins. The protein products of these selected genes, including VCAM-1, attract white blood cells to the site of chronic inflammation and are presumed to contribute to a disease state. The lead program is AGI-1067 which is currently in a large Phase II trial called CART-2 to determine if it can reduce atheroscelerotic plaque volume as was suggested in an earlier Phase II trial called CART-1. A large Phase III trial is also underway called ARISE, to determine if the use of AGI-1067 reduces the clinical manifestations of coronary artery disease. Additional v-protectant programs are in clinical development targeting rheumatoid arthritis, exacerbations of rheumatologic disease and organ transplant rejection. The company currently wholly owns the technology platforms as well as the programs in clinical trials and definitive clinical trial information is expected within the next 6–9 months.

Elan Corporation

Market capitalization as at 06/30/2004:
USD 9.6 bn

Elan Corporation, plc focuses on the key therapeutic areas of neurology, in particular multiple sclerosis and Alzheimer's, autoimmune diseases and severe pain. Elan used to be more of a specialty pharma company having a strong drug delivery expertise, employed in its various joint venture businesses. In the summer of 2002, the new management team of Elan started a restructuring program. After two years, the program has been successfully completed with the sale of non-core businesses, closure of all the joint ventures, reduced headcount, and restored financial stability. Elan's current product portfolio consists of Azactam and Maxipime (antibiotics). The most important product in its clinical pipeline is Antegren, which is a humanized alpha-4 integrin antibody, currently in two pivotal trials for the treatment of multiple sclerosis. The rest of Elan's clinical and R&D pipeline consists of Antegren for the treatment of rheumatoid arthritis, Prialt filed for approval for the treatment of severe chronic pain, and an Alzheimer's disease program.

Company profiles

ICOS

Market capitalization as at 06/30/2004:
USD 1.9 bn

ICOS is the developer of Cialis, a long-acting drug for the treatment of male erectile dysfunction. In a joint venture with Eli Lilly, they are rapidly acquiring market share from the leader in this area, Pfizer, which markets Viagra. Cialis has blockbuster potential in what appears to be a large, underpenetrated and expanding market. The pipeline for ICOS has undergone substantive changes in the past several years directed by clinical trial results. The company has refocused on Cialis for the treatment of other disorders as benign prostatic hypertrophy which affects the majority of men over 65 years of age and for which a large unmet medical need still exists. In 2003 worldwide sales exceeded 200 mn dollars with over 1 mn patients treated within its first year of launch and these figures are expected to grow significantly in the coming years.

Telik

Market capitalization as at 06/30/2004:
USD 1.0 bn

Telik is a biopharmaceutical company working to discover, develop and commercialize novel small molecule drugs to treat cancer and other serious diseases. Their most advanced development candidate is TELCYTA™ (TLK286), a novel cancer cell-activated chemotherapeutic currently in Phase III registration trials in advanced ovarian cancer and non-small cell lung cancer, and in Phase II trials in ovarian, lung, breast and colorectal cancers. These product candidates, and the other candidates in their pipeline, were discovered using a proprietary technology, TRAP, which enables the rapid and efficient discovery of small molecule drug candidates. Most recently, positive results from several combination trials with frontline chemotherapy agents were presented at the annual ASCO meeting.

Source of charts: Datastream

Participations as at June 30, 2004

Company	Number of securities	Change since 12/31/2003	Local currency	Share price	Market value in CHF mn	In % of portfolio	In % of company
Gilead	3 000 000	224 500	USD	67.00	251.8	11.9%	1.4%
Celgene	2 890 600	–109 400	USD	57.26	207.4	9.9%	3.5%
Biogen Idec	2 600 000	–1 550 300	USD	63.25	206.0	9.8%	0.8%
Sepracor	3 000 000	3 000 000	USD	52.90	198.8	9.4%	3.5%
EyeTech Pharmaceuticals	3 476 362	45 000	USD	42.92	186.9	8.8%	8.6%
The Medicines Company	4 074 075	50 000	USD	30.51	155.7	7.4%	8.5%
Actelion	1 006 410	–874 372	CHF	144.00	144.9	6.8%	4.6%
Ligand Pharmaceuticals	6 400 000	3 400 000	USD	17.38	139.4	6.6%	8.7%
Genzyme	2 229 000	229 000	USD	47.33	132.2	6.2%	1.0%
ICOS	2 000 000	2 000 000	USD	29.84	74.8	3.5%	3.2%
Amgen	1 000 000	–3 100 000	USD	54.57	68.4	3.2%	0.1%
AtheroGenics	2 050 000	2 050 000	USD	19.03	48.9	2.3%	5.5%
Cell Therapeutics	3 000 000	–	USD	7.37	27.7	1.3%	6.0%
Pozen	2 217 000	–583 000	USD	6.85	19.0	0.9%	7.7%
Virologic	5 726 430	–	USD	2.45	17.6	0.8%	10.7%
Durect	2 254 957	–	USD	3.46	9.8	0.5%	4.4%
Elan	206 000	206 000	USD	24.74	6.4	0.3%	0.1%
Telik	208 400	208 400	USD	23.87	6.2	0.3%	0.5%
Serono	–	–258 259					
Biogen Idec Zero Bond	–	–42 000 000					
MedImmune	–	–1 200 000					
Inspire Pharmaceuticals	–	–1 000 000					
Theravance [1]	3 111 111	–	USD	7.00	27.3	1.3%	5.6%
Auxilium Pharmaceuticals [1]	5 000 000	–	USD	1.50	9.4	0.4%	6.7%
Total					**1 938.6**	**91.6%**	
Derivates							
The Medicines Company warrants (long)	675 925	–	USD	24.61	20.8	1.0%	
Virologic warrants (long)	990 993	–	USD	1.66	2.1	0.1%	
Auxilium Pharmaceuticals warrants (long)	1 501 501	–	USD	0.00	0.0	0.0%	
Total					**22.9**	**1.1%**	
Liquid funds (net)					155.5	7.3%	
Total					**2 117.0**	**100.0%**	
BB BIOTECH bearer shares [2]	2 873 142	1 047 420			206.7		10.3%
Total					**2 323.7**		

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

Exchange rates as at 06/30/2004:
USD/CHF: 1.2529
EUR/CHF: 1.5254

Consolidated semi-annual statement

Consolidated balance sheet (in CHF 1 000)

Assets	06/30/2004	12/31/2003	Liabilities and shareholders' equity	06/30/2004	12/31/2003
Current assets			**Current liabilities**		
Liquid Funds	163 681	7 666	Short-term borrowing from banks	–	13 000
Receivables from brokers	604	25 674	Payables to brokers	8 826	28 579
Marketable securities	1 961 529	1 949 351	Other short-term liabilities	1 006	1 865
Other assets	3	38	Tax provisions	29	68
	2 125 817	**1 982 729**		**9 861**	**43 512**
			Shareholders' equity		
			Share capital	27 800	27 800
			Treasury shares	(2 873)	(1 826)
			Additional paid-in capital	1 188 292	1 188 292
			Retained earnings	902 737	724 951
				2 115 956	**1 939 217**
Total assets	**2 125 817**	**1 982 729**	**Total liabilities and shareholders' equity**	**2 125 817**	**1 982 729**
Net Asset Value per share in CHF	84.89	74.66			

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

	01/01–06/30/2004	01/01/–06/30/2003	04/01–06/30/2004*	04/01/–06/30/2003*
Operating income				
Gains from marketable securities	336 738	291 525	56 640	175 100
Interest income	80	997	69	503
Dividend income	239	767	239	767
Foreign exchange gains net	3 065	–	1 018	–
Other income	55	233	55	207
	340 177	**293 522**	**58 021**	**176 577**
Operating expenses				
Interest expenses	9	246	1	246
Foreign exchange losses net	–	4 908	–	5 839
Administrative expenses	4 328	3 646	2 075	2 002
Other expenses	2 790	2 671	1 883	1 665
	7 127	**11 471**	**3 959**	**9 752**
Operating income before tax	**333 050**	**282 051**	**54 062**	**166 825**
Tax expenses	94	132	59	102
Net income for the period	**332 956**	**281 919**	**54 003**	**166 723**
Gain per share in issue and diluted gain per share in issue in CHF	12.99	10.90		
Average outstanding shares	25 624 768	25 863 509		

*not audited

Consolidated semi-annual statement

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

(in CHF 1 000)

	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Total
Balances at January 1, 2003	**27 800**	**(2 077)**	**1 188 292**	**551 275**	**1 765 290**
Trade with treasury shares (incl. balance change)	–	245	–	3 509	3 754
Net gain for the period	–	–	–	281 919	281 919
Balances at June 30, 2003	**27 800**	**(1 832)**	**1 188 292**	**836 703**	**2 050 963**
Balances at January 1, 2004	**27 800**	**(1 826)**	**1 188 292**	**724 951**	**1 939 217**
Dividends	–	–	–	(62 845)	(62 845)
Trade with treasury shares (incl. balance change)	–	(1 047)	–	(92 326)	(93 373)
Net gain for the period	–	–	–	332 956	332 956
Balances at June 30, 2004	**27 800**	**(2 873)**	**1 188 292**	**902 737**	**2 115 955**

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

	01/01–06/30/2004	01/01–06/30/2003
Cash flows from operating activities		
Proceeds from sales of securities	796 516	584 968
Purchase of securities	(471 955)	(372 084)
Trade with treasury shares (incl. balance change)	(93 373)	3 754
Dividends	275	710
Interest receipts	78	996
Interest payments	(10)	(246)
Payments for services	(7 920)	(8 667)
Taxes paid	(133)	(200)
Total cash from operating activities	**223 478**	**209 231**
Cash flows from financing activities		
Dividends	(62 845)	–
Loans	(13 000)	–
Receivables from/payables to brokers net	5 318	(30 806)
Total cash from financing activities	**(70 527)**	**(30 806)**
Foreign exchange difference	3 064	(4 908)
Increase in cash and cash equivalents	**156 015**	**173 517**
Cash and cash equivalents at beginning of year	**7 666**	**199 597**
Cash and cash equivalents at end of the period	**163 681**	**373 114**
Liquid funds	163 681	373 114
Cash and cash equivalents at end of the period	**163 681**	**373 114**

Notes to the consolidated semi-annual statement

1. The Company and its principal activity

BB BIOTECH AG (the Company) is listed on the Swiss Stock Exchange, in the Prime Standard Segment of the German Exchange as well as on the "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 Company holds these investments indirectly via the wholly owned subsidiaries BIOTECH FOCUS N.V., BIOTECH INVEST N.V., BIOTECH TARGET N.V. and BIOTECH GROWTH N.V. All subsidiaries are domiciled in Curaçao.

2. Accounting policies

General

The consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as well as the provisions of the Additional Rules of the SWX Swiss Exchange for the Listing of Investment Companies.
With the exception of financial assets and liabilities, the financial statements are prepared on a historical cost basis. The consolidated interim financial statements are drawn up in accordance with IFRS. This requires management to make assumptions and estimates that have an impact on the balance sheet values and items of the income statement in the current financial 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 2003 consolidated financial statements.

Basis of consolidation

The consolidated interim 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 June 30 period 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 the end of the period are translated at rates of exchange prevailing as at the balance sheet date. Exchange differences are reflected in the statement of income.

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 remeasured at fair value based on quoted market 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.

Treasury shares

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

3. Marketable securities (in CHF 1 000)

A detailed breakdown of the securities held on June 30, 2004 can be found on page 12 of this report.

Change in value by investment category from January 1, 2004 to June 30, 2004 (incl. securities short)

	Listed shares	Unlisted shares	Convertible bonds	Derivative instruments	Total
Opening balance as at 01/01/2004 at fair values	**1 828 876**	**66 230**	**30 719**	**23 526**	**1 949 351**
Purchases	471 955	–	–	–	471 955
Sales	(764 973)	–	(31 543)	–	(796 516)
Reclassification [1)]	91 305	(91 305)	–	–	–
Realized gains	43 854	–	824	–	44 678
Realized losses	(25 817)	–	–	–	(25 817)
Unrealized gains	342 331	61 757 [1)]	–	1 077	405 165
Unrealized losses	(85 588)	–	–	(1 699)	(87 287)
Net gains/(losses) from marketable securities	274 780	61 757	824	(622)	336 739
Closing balance as at 06/30/2004 at fair values	**1 901 943**	**36 682**	**–**	**22 904**	**1 961 529**

[1)] EyeTech Pharmaceuticals IPO, price USD 21, first trading day 01/29/2004

Notes to the consolidated semi-annual statement

4. Shareholders' equity

The share capital of the Company consists of 27.8 mn fully paid bearer shares (12/31/2003: 27.8 mn) with a par value of CHF 1 each (12/31/2003: CHF 1).

At the Annual General Meeting held April 20, 2004, a resolution was passed to lower the Company's capital stock by CHF 2 100 000 to currently CHF 25 700 000. Due to the statutory requirement relating to the call for filing of claims, the processing of this transaction can only be completed in the third quarter of 2004. Until such time, the stocks to be cancelled will remain on the books of BB BIOTECH AG. Since own stocks are directly deducted from equity in accordance with the International Financial Reporting Standards (IFRS), the capital reduction will have no impact on the Company's Net Asset Value.

From January 1, 2004 through June 30, 2004, 4 221 132 shares were purchased at an average price of CHF 72.95 and 3 173 712 shares were sold at an average price of CHF 67.60.

As at June 30, 2004 there exists an authorized capital of CHF 12.5 mn (12/31/2003: CHF 6.7 mn) and a conditional capital of CHF 12.5 mn (12/31/2003: none).

5. Administrative expenses (in CHF 1 000)

Administrative expenses comprise the following:

	01/01–06/30/2004	01/01–06/30/2003
Asset manager		
– Fixed fees portion	3 922	3 286
– Performance fees	–	–
Board of Directors remuneration		
– Fixed fees portion	392	329
– Performance fees	–	–
– Social security employer's contribution	14	31
	4 328	**3 646**

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

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

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

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

For the end of the next quarter (09/30/2004) the hurdle rates for payment of a performance-related fee will be as follows:

– 18 026 978 shares (70.1% of the Company): CHF 90.40
– 3 697 842 shares (14.4%): CHF 96.98
– 924 460 shares (3.6%): CHF 100.21
– 1 571 583 shares (6.1%): CHF 208.79
– 1 479 137 shares (5.8%): CHF 214.80

On April 20, 2004 a resolution was passed at the Annual General Meeting to pay out a dividend of CHF 2.50 per bearer share; the payout in question was made on April 21, 2004. Subsequently, the levels at which performance-related compensation is to be paid were also adjusted downward by CHF 2.50 as at April 21, 2004.

The 2.1 million bearer shares intended for cancellation will be proportionately deducted from the relevant capital. Calculation of the basic compensation after April 21, 2004 is based on share capital of 25.7 million bearer shares (March 31, 2004: 27.8 mn).

Notes to the consolidated semi-annual statement

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

Assets	06/30/2004	12/31/2003
USA	1 810 277	1 495 832
Switzerland	301 430	486 895
Ireland	6 385	–
Germany	6 375	2
Great Britain	870	–
Italy	480	–
	2 125 817	**1 982 729**

Gain/(loss) from marketable securities	01/01–06/30/2004	01/01–06/30/2003
USA	335 286	244 810
Switzerland	1 459	46 254
Great Britain	–	461
Ireland	(7)	–
	336 738	**291 525**

7. Assets pledged

The securities are a collateral for credit lines of CHF 200 mn and USD 140 mn (12/31/2003: CHF 200 mn and USD 140 mn). At June 30, 2004 the Group has not claimed any credits (12/31/2003: CHF 13 mn).

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

The Group had no commitments or other off-balance sheet transactions open at June 30, 2004 (12/31/2003: none).

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. Management concludes that as at June 30, 2004 no proceedings existed which could have any material effect on the financial position of the Group (12/31/2003: none).

9. Subsequent events

There have been no events subsequent to June 30, 2004 which would affect the consolidated interim financial statements.

Report of the group auditors

Report of the Group Auditors
to the Board of Directors of
BB BIOTECH AG
Schaffhausen

As auditors of the group, we have audited the consolidated semi-annual financial statements (balance sheet, income statement, statement of changes in equity, statement of cash flows and notes/pages 13 to 17) of BB BIOTECH AG for the half-year ended June 30, 2004.

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

Our audit was conducted in accordance with 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 semi-annual financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated semi-annual financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated semi-annual financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated semi-annual financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 and comply with the accounting provisions as contained in the Additional Rules for the Listing of Investment Companies of the Swiss Exchange (SWX).

PricewaterhouseCoopers AG

Albert Schönenberger Adrian Keller

Zug, July 16, 2004

Corporate Governance

Board of Directors and shareholdings of the Board of Directors

Prof. Dr. med. Thomas Szucs (2003), Chairman (2004), Switzerland. Co-Chairman of the European Center of Pharmaceutical Medicine. 800 shares (dito as at 03/31/2004).
Prof. Dr. David Baltimore (1993), Vice Chairman (2004), USA. President of the California Institute of Technology, Nobel laureate. No shares.
Dr. Clive Meanwell (2004), USA. Executive Chairman and Director of The Medicines Company. No shares.

Asset Management

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

Auditors

PricewaterhouseCoopers AG, Zug

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

Shareholder information

Company profile

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

Official listing and share structure

Foundation:	November 9, 1993; Schaffhausen, Switzerland
Issue price adj. November 15, 1993:	CHF 23.76
Official listing:	December 27, 1993 on the Swiss Stock Exchange December 10, 1997 on the German Stock Exchange, as of 2003 in the Prime Standard Segment (TecDax) October 19, 2000 on the "Nuovo Mercato" in Italy, as of 2004 in the TechStar
Share structure:	CHF 27.8 mn nominal, 27 800 000 bearer shares with a par value of CHF 1
Authorized capital:	CHF 12.5 mn
Conditional capital:	CHF 12.5 mn
Shareholders, free float:	Institutional and private investors. 100% free float.
Security number Switzerland:	144.158
Security number in Germany and Italy:	888 509
ISIN:	CH0001441580

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

Corporate calendar 2004/2005

9 Month 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
Annual General Meeting:	April 28, 2005, 04.00 PM, Lake Side Casino Zürichhorn, Bellerivestrasse 170, CH-8008 Zurich

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