



Annual Report

2015

2016

**HBM** Healthcare  
Investments

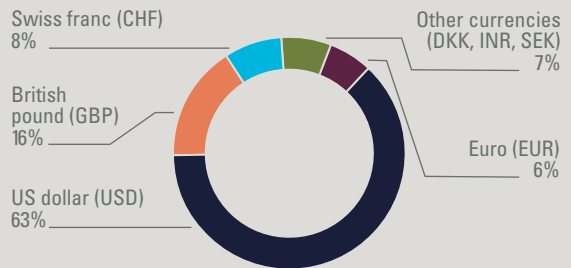
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HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. The company holds and manages an international portfolio of some 25 promising companies.

Many of these companies have their lead products already available on the market or at an advanced stage of development. The portfolio companies are closely tracked and actively guided on their strategic directions. This is what makes HBM Healthcare Investments an interesting alternative to investing in big pharma and biotech companies. HBM Healthcare Investments has an international shareholder base and is listed on SIX Swiss Exchange (ticker: HBMN).

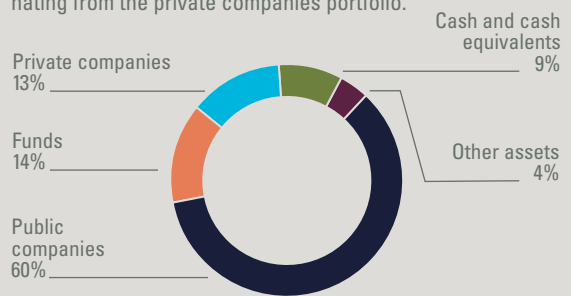
**Currency allocation of assets<sup>1)</sup>**

Emphasis on US dollar investments.



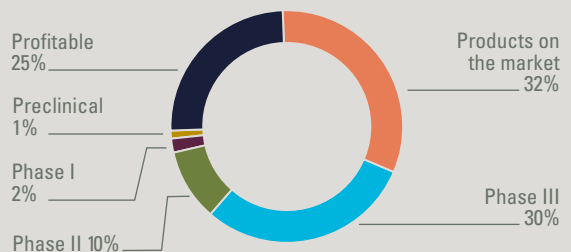
**Allocation of assets<sup>1)</sup>**

Mainly invested in private companies or in companies originating from the private companies portfolio.

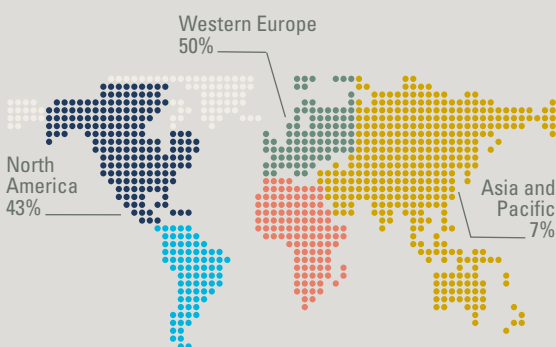


**Development phase of portfolio companies<sup>2)</sup>**

Mainly invested in revenue generating companies or in companies with products at an advanced stage of development.

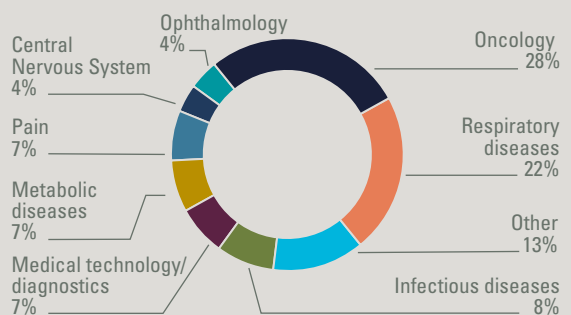


**Investments by continents<sup>2)</sup>**



**Therapeutic area of the lead product of portfolio companies<sup>2)</sup>**

Broadly diversified areas of activity.



1) Total assets as at 31.3.2016: CHF 1,123 million.

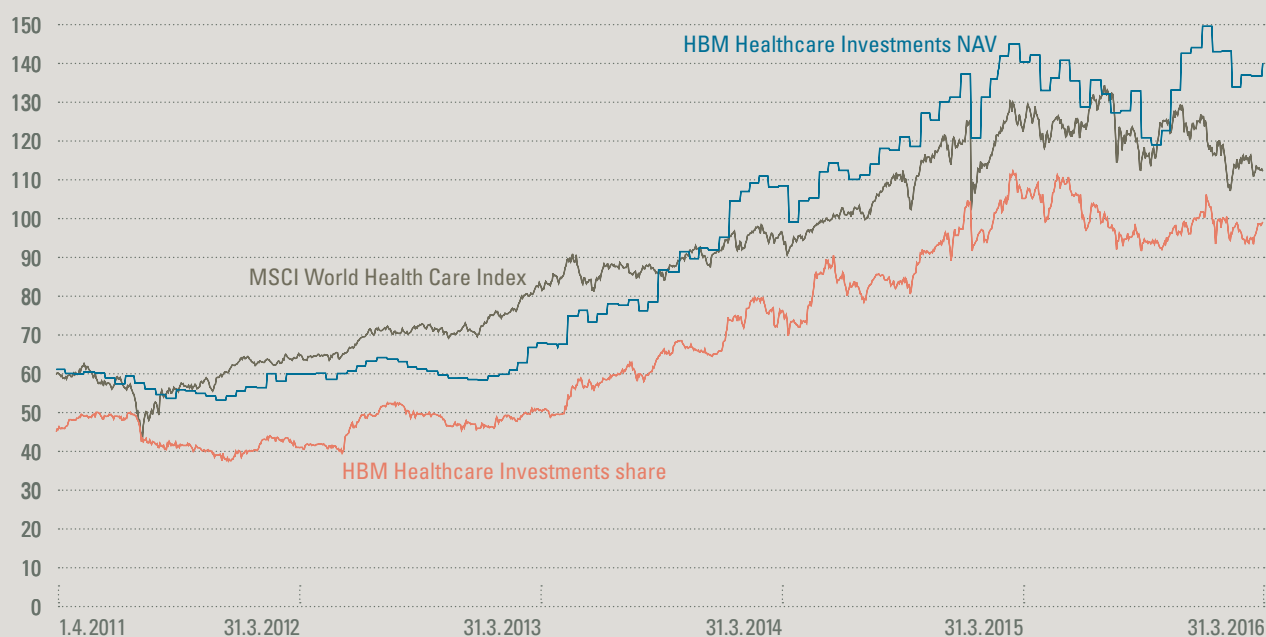
2) Total investments as at 31.3.2016: CHF 977 million.

Key Figures		31.3.2016	31.3.2015	31.3.2014	31.3.2013	restated 31.3.2012
<b>Net assets</b>	CHF million	<b>1,019.9</b>	<b>1,074.2</b>	<b>920.3</b>	<b>601.0</b>	<b>546.4</b>
Investments in private companies and funds		299.5	273.4	218.8	233.4	276.3
Investments in public companies		677.0	748.1	630.5	278.9	196.7
Cash and cash equivalents		104.8	140.4	46.5	51.7	41.2
<b>Net cash flow from investing activities</b>	CHF million	<b>11.9</b>	<b>207.5</b>	<b>42.8</b>	<b>33.2</b>	<b>-39.9</b>
<b>Net result for the year</b>	CHF million	<b>23.1</b>	<b>257.5</b>	<b>353.5</b>	<b>67.0</b>	<b>-22.2</b>
Basic earnings per share	CHF	3.06	32.47	40.98	7.52	-2.35
Net asset value (NAV) per share	CHF	140.23	140.60	108.76	68.35	60.40
Share price	CHF	99.45	108.00	75.50	51.35	41.50
<b>Discount</b>	%	<b>-29.1</b>	<b>-23.2</b>	<b>-30.6</b>	<b>-24.9</b>	<b>-31.3</b>
Distribution per share	CHF	5.50 <sup>1)</sup>	5.50	3.00	1.50	
Distribution yield	%	5.5	5.1	4.0	2.9	
Shares issued	Registered shares (m)	7.7	8.0	8.9	9.2	9.8
Shares outstanding	Registered shares (m)	7.3	7.6	8.5	8.8	9.0

1) A cash dividend from reserve from capital brought in (per share eligible for dividend) is being proposed to the Ordinary Shareholders' Meeting.

Performance (including distributions)		2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
<b>HBM Healthcare Investments Ltd</b>						
Net asset value (NAV)	%	3.6	32.0	61.3	13.2	-1.9
Registered share HBMN	%	-2.8	47.0	50.0	23.7	-7.0

### Net asset value (NAV) and share price of HBM Healthcare Investments versus MSCI World Health Care Index in CHF, indexed (12.7.2001 = 100)



**CHF 23 million**

Profit for the 2015/2016 financial year

**CHF 190 million**

Value contribution of private portfolio companies and funds

**CHF 5.50 per share**

Cash distribution to shareholders

**CHF 1020 million**

Net assets as at 31.3.2016

Recommended by Kepler Cheuvreux Equity Research

**Buy**





# 11.5 m<sup>3</sup>

Adults breathe  
around 11.5 cubic metres  
of air every day.

Breath is life. Fresh mountain air is one of life's pleasures. Adults take more than 20,000 breaths every day, inhaling and exhaling around 11.5 cubic metres of air. Respiratory illnesses are therefore debilitating. Intensive research in the healthcare sector regularly opens up new therapies. Skyepharma, for example, has made a breakthrough in asthma treatment with flutiform®. HBM Healthcare Investments selects, finances and supports companies like Skyepharma, whose activities make a significant contribution to medical progress. In doing so, HBM Healthcare Investments helps to improve quality of life around the world.

# Letter from the Chairman of the Board of Directors and the Management





**HBM Healthcare Investments bucked the market trend to close the 2015/2016 financial year in profit, thereby validating the success of its investment strategy. New investments in private companies ensure a diversified portfolio structure. Despite the corrections on the financial markets, the long-term value creation potential of the healthcare market remains intact. The Board of Directors is thus proposing an unchanged cash dividend for the year.**

#### **Dear Shareholders**

HBM Healthcare Investments closed the 2015/2016 financial year with a profit of CHF 23 million, bucking a trend that saw significant share price correction in the healthcare sector after around three years of rising valuations. The MSCI World Health Care Index and the NASDAQ Biotechnology Index plummeted by 9 and 25 percent respectively during the reporting period (total return, in CHF).

HBM Healthcare Investments' success validates the strengths of our investment strategy: the Company invests a significant share of its funds in private companies, while making the most of opportunities in the public segment. Our portfolio composition – comprising more mature companies, those in the later stages of clinical development and a small number of firms in the early phases of development – once again proved its strategic worth during the period under review.

With recent IPOs and trade sales, the share of portfolio value accounted for by private companies is currently contracting. HBM Healthcare Investments will raise this allocation once again over the years to come. Along with their public counterparts, financial market corrections have also reduced the flow of capital available for investments in private companies. This helps us to find interesting candidates at reasonable valuations.

As the first step in this restocking strategy, we added six new holdings to the portfolio of private companies during the reporting year. Further new investments are being prepared. We firmly believe that, in the future, successful clinical development will make a number of these companies attractive takeover candidates, or they will take their market capitalisation into the billions by going public. Ophthotech, Advanced Accelerator Applications and Pacira Pharmaceuticals are three current examples from our portfolio which have done just that. It goes without saying that there will also be setbacks along the way. We must recognise these as early as possible, and be strict in disposing of the holdings concerned.



"HBM  
Healthcare's  
success  
validates the  
strengths of  
our investment  
strategy."

Hans Peter Hasler  
Chairman of the Board of Directors

We believe that the conditions for long-term value creation in the healthcare sector in general, and for HBM Healthcare Investments in particular, remain intact. Population growth, demographic shifts and the need for new therapies continue to be the most important drivers of growth. Furthermore, M&A activity involving companies with products that are unique on the healthcare market is likely to stay high.

#### **Review of the 2015/2016 financial year**

HBM Healthcare Investments generated a profit of CHF 23 million in the financial year ended 31 March 2016. Factoring in the cash dividend of CHF 5.50 per share, net asset value (NAV) per share rose by 3.6 percent to CHF 140.23. The share price slipped by 2.8 percent to close at CHF 99.45.

With the sale of Ellipse Technologies (profit contribution of CHF +93 million, including indirect investment via the MedFocus Fund II), the Advanced Accelerator Applications IPO (CHF +78 million / share price +119% in local currency since launch) and the Cathay Industrial Biotech financing round (CHF +29 million), the portfolio of private companies and funds contributed about CHF 190 million to corporate value.

Among the public companies, Skyepharma (CHF +49 million / share price +45% in local currency) benefited from the mid-March 2016 announcement that it is to be acquired by the Vectura Group. Our holdings in Receptos (CHF +18 million / share price +41%) and ZS Pharma (CHF +12 million / share price +114%) also profited from takeovers, while the value of Genmab (CHF +18 million / share price +74%) rose on the strength of accelerated approval for its DARZALEX® cancer treatment and further convincing trial data.



"After six new investments in the reporting year, we will continue to increase the share of private companies in our portfolio."

Dr Andreas Wicki  
Chief Executive Officer

The year was not without its disappointments, however. PTC Therapeutics (CHF –43 million / share price –89%) announced that the US Food and Drug Administration had rejected its application for the approval of Translarna™ to treat Duchenne muscular dystrophy. Determined in part by the overall market, there was a drop in the value of our holdings in Esperion Therapeutics (CHF –44 million / share price –82%), Pacira Pharmaceuticals (CHF –39 million / share price –40%), Paratek Pharmaceuticals (CHF –26 million / share price –51%) and Incyte Corporation (CHF –12 million / share price –21%), in particular.

Unfavourable exchange rates proved to be a CHF 20 million drain on results, which are reported in Swiss francs.

Despite the positive profit for the year (CHF +23 million), the cash dividend (CHF –42 million) and share buy-backs (CHF –35 million) reduced net assets slightly to CHF 1,020 million. With debt accounting for less than 10 percent of net assets, and liquidity of over CHF 100 million, HBM Healthcare Investments continues to display an extremely sound financial structure.

### **Six new investments in private companies**

During the reporting year HBM Healthcare Investments invested CHF 45 million in follow-on financing for private companies already held in the portfolio, and CHF 48 million in six new private portfolio companies which operate in a range of therapeutic areas.

- > AnaptysBio from San Diego has an interesting technology platform for the development of antibodies for therapies for inflammatory diseases and in immuno-oncology. HBM Healthcare Investments invested USD 7 million.
- > ARMO Biosciences in Redwood City, an immuno-therapeutics company focusing on oncology, received USD 10 million.
- > Eiger BioPharmaceuticals in Palo Alto has a diversified portfolio of compounds undergoing phase-II clinical trials to address four orphan diseases. Eiger received USD 10 million as part of the reverse merger with publicly listed Celladon in March 2016.



"The portfolio of private companies and funds contributed about CHF 190 million to our result for the year."

Erwin Troxler  
Chief Financial Officer

- > San Francisco-based Iconic Therapeutics is conducting a phase-IIa study on a promising molecule for the treatment of age-related macular degeneration. The company was granted USD 7.5 million.
- > ObsEva in Geneva is developing a clinical pipeline in the female reproductive health field. As part of a syndicate, HBM Healthcare Investments invested CHF 10 million in this Swiss company.
- > SAI Life Sciences in Hyderabad, India, is active internationally in the synthesis of complex pharmaceutical compounds and in medicinal chemistry. It is already profitable. This first private direct investment by HBM Healthcare Investments in India amounts to USD 4 million.

In addition, HBM Healthcare Investments increased its portfolio allocation in the growing Chinese healthcare market, with a capital commitment of USD 20 million to the WuXi Healthcare Ventures II Fund.

### **Cash dividend unchanged**

The Board of Directors continues to take a positive view of the growth prospects of the healthcare sector and the value potential of the HBM Healthcare Investments portfolio. Over the next years, we will continue to strive for double-digit percentage mean annual returns, a significant share of which will be returned to shareholders in the form of cash dividends and share buy-backs.

With this in mind, despite the lower profit for the year, the Board of Directors will propose to the Ordinary Shareholders' Meeting that an unchanged cash dividend of CHF 5.50 per share be paid from the reserve from capital brought in. Based on the share price at the end of March 2016, this corresponds to a return of 5.5 percent.

## Outlook

The elevated financial market volatility that has been observed in recent months is likely to persist. HBM Healthcare Investments will use short-term market weakness selectively to add to its holdings in public companies.

The next 12 to 18 months will hold a series of significant events for the companies currently in our portfolio. The sum total of these is likely to have a positive effect on portfolio value, and thus on the net asset value of the HBM share.

- > Advanced Accelerator Applications is expecting US market approval for its Lutathera® preparation for cancer in the fourth quarter of 2016.
- > Ophthotech will present its eagerly-awaited initial phase-III study data on Fovista™ for the treatment of age-related macular degeneration towards the end of 2016.
- > Paratek Pharmaceuticals will publish its initial phase-III study results on its omadacycline antibiotic at the beginning of the second half of 2016.
- > Vectura Group is expected to complete its acquisition of Skyepharma in the third quarter of 2016. The case for investing in the combined company continues to be supported by rising sales and licensing revenues, as well as FDA-approval for a generic form of the blockbuster asthma drug Advair®, which is expected in mid-2017.

A number of other portfolio companies, including newcomers Eiger BioPharmaceuticals and Iconic Therapeutics, will be publishing clinical data over the next twelve months. Moreover, even amid ongoing market volatility, the portfolio can be expected to produce acquisitions and IPOs which will result in further value growth.

We should like to thank all of HBM Healthcare Investments' staff and partners for their hard work, and our shareholders for their steadfast confidence in us. We will continue to work with discipline and flair to exploit the value potential of the portfolio and to achieve additional increase in value.



Hans Peter Hasler  
Chairman of the Board of Directors



Dr Andreas Wicki  
Chief Executive Officer



Erwin Troxler  
Chief Financial Officer

# Portfolio Companies



**CHF 182 million** Skyepharma  
(fair value CHF 181.9 million / 17.8 % of net assets)

Advanced Accelerator Applications **CHF 118 million**  
(fair value CHF 117.6 million / 11.5 % of net assets)

**CHF 56 million** Pacira Pharmaceuticals  
(fair value CHF 56.1 million / 5.5 % of net assets)

Cathay Industrial Biotech **CHF 42 million**  
(fair value CHF 42.2 million / 4.1 % of net assets)

**CHF 40 million** Genmab  
(fair value CHF 40.3 million / 4.0 % of net assets)

Ophthotech **CHF 25 million**  
(fair value CHF 24.5 million / 2.4 % of net assets)

# Skyepharma

London, United Kingdom

**GBP 469 million**

Market capitalisation as at 31.3.2016

Merger with

## Vectura Group

in March 2016

Share price on

### LSE



1.4.2015 to 31.3.2016

**CHF 182 million**

Fair value as at 31.3.2016





# Advanced Accelerator Applications

Saint-Genis-Pouilly, France

USD **1,352** million

Market capitalisation as at 31.3.2016

Positive phase-III study results for  
**Lutathera<sup>®</sup>**

Share price

**NASDAQ**



11.11.2015 to 31.3.2016

CHF **118** million

Fair value as at 31.3.2016

Radiopharmaceuticals use trace amounts of radioactive substances to diagnose, treat and monitor diseases. The technique works by injecting the patient with targeted radiopharmaceuticals that accumulate in specific organs or lesions, and help to detect complex disease patterns such as cancer, cardiovascular and neurological disorders at an early stage. The production and distribution of radiopharmaceuticals is demanding owing to the products' short shelf life of only a few hours in some cases.

Advanced Accelerator Applications (AAA) develops, produces and distributes diagnostic and therapeutic products in the molecular nuclear medicine field. The company is the European market leader in radiopharmaceuticals used in positron emissions tomography (PET) and single-photon emission computer tomography (SPECT).

In addition to its proven radiopharmaceuticals for PET and SPECT imaging procedures, AAA manages a development pipeline, the main drug candidate of which is Lutathera®. The drug's active ingredient has successfully finished phase-III trials and will soon be approved for the treatment of rare neuroendocrine tumours. With up to four new cases per 100,000 population per year, these are a rare and slow-growing form of tumour and are classified as an orphan disease. About 75 percent of all cases occur as gastro-entero-pancreatic tumours.

The phase-III trial of Lutathera® reached its primary endpoint of progression-free survival (PFS), i.e. a statistically significant and clinically meaningful reduction in the risk of death or disease progression. Furthermore, the study showed that Lutathera® significantly improves progression-free survival for patients with advanced neuroendocrine tumours of the midgut (midgut NETs), as compared to patients treated with Sandostatin® LAR® 60mg. Novartis' Sandostatin® LAR® and other drugs marketed for similar indications scored sales of more than USD 1 billion each in 2015. Market approval for Lutathera® is expected in the USA towards the end of 2016 and in Europe in the next year. The company's diagnostics division generated sales of EUR 89 million in 2015.

Its share price has risen by 119 percent since the IPO in November 2015.

# Pacira Pharmaceuticals

San Diego/CA, USA

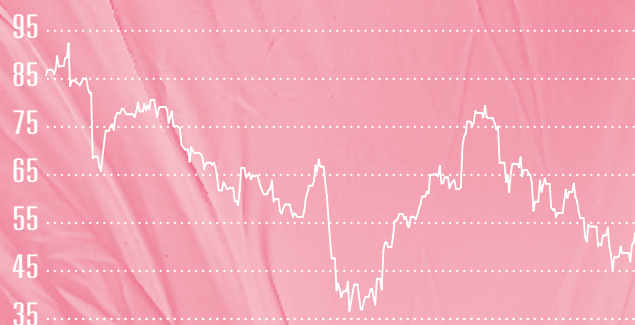
USD **1,949** million

Market capitalisation as at 31.3.2016

EXPAREL<sup>®</sup> sales  
**+27%**

Share price

**NASDAQ**



1.4.2015 bis 31.3.2016

CHF **56** million

Fair value as at 31.3.2016

Postoperative pain has a detrimental effect on the healing process following surgery. Millions of patients are affected every year. The challenge to medical research is to eliminate post-operative pain as much as possible through the controlled release of long-lasting analgesics which have minimal side effects.

Pacira Pharmaceuticals focuses on the clinical and commercial development of products for acute care. In April 2012, Pacira launched EXPAREL<sup>®</sup>, a new formulation of the well-established painkiller bupivacaine. The product provides long-lasting, local post-operative pain relief.

EXPAREL<sup>®</sup> is based on Pacira's patented Depo-Foam<sup>®</sup> platform for controlled and long-lasting drug delivery. This can significantly reduce the administration of opioids to patients post-operation, so they suffer fewer side effects and are able to leave hospital sooner – resulting in substantial cost savings.

EXPAREL<sup>®</sup> has the potential to be used in the widest variety of analgesic applications. It is currently administered following soft tissue procedures and orthopaedic surgeries. Pacira is endeavouring to extend EXPAREL<sup>®</sup>'s indications for use as a peripheral nerve block, which is primarily suited to pain

therapy following procedures on extremities. Pacira is planning to complete two phase-III studies in late 2016 and to apply for market approval with the FDA in early 2017. Depending on the area of use, analysts believe that the drug offers sales potential of USD 800 to 900 million.

After the FDA had severely limited the marketing of EXPAREL<sup>®</sup>, Pacira's share price came under pressure in the reporting period. Late in 2015 Pacira and the FDA agreed to promote EXPAREL<sup>®</sup> as a painkiller for general application in surgical wounds to initiate post-operative analgesia. Subject to the submission of additional data, Pacira may also receive approval for EXPAREL<sup>®</sup>'s use as peripheral nerve block in the future.

EXPAREL<sup>®</sup> achieved sales of USD 240 million in 2015, up more than a quarter from the previous year's level. Pacira's total revenues rose to USD 249 million. The company had a cash position of USD 172 million at the end of 2015.

The share price receded by 40 percent in the reporting period.

# Cathay Industrial Biotech

Shanghai, China

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HBM Healthcare Investments Ltd / Annual Report 2015/2016

USD **461** million

Company valuation as at 31.3.2016

**Market leader**

for dicarboxylic acids

2015 financing round

USD **135** million

CHF **42** million

Fair value as at 31.3.2016

Industrial biotechnology replaces conventional production processes with biotechnological methods. The objective is to reduce costs through lower energy and raw materials inputs, as well as to improve the quality and properties of the final products. Typically, bacteria, yeasts or enzymes are used on an industrial scale to produce organic additives and speciality chemicals. Industrial biotechnology is considered a growth market with great potential.

Cathay Industrial Biotech is a pioneer in industrial biotechnology, replacing traditional chemical production methods with novel biotechnological processes. The company's technological innovations enable these processes to be used for the production of chemicals, fuels and polymers. Cathay is one of the world's leading producers of long-chain dicarboxylic acids, which are mainly used for nylon, polyester, adhesives and organic solvents.

Cathay's main clients are various branches of industry, such as the automotive and the consumer goods sectors, and include international companies such as DuPont, Evonik and Akzo Nobel.

In December 2015, the company announced the completion of a significant equity financing deal worth in excess of USD 135 million with Shanxi Lu'An Mining (Group) Co. The new funds will be used to expand production capacity for the "Dicarboxylic acids" and "Green nylon" divisions.

Cathay has also developed Terryll® ("green nylon", polyamide 56), a next-generation bio-based textile fibre with significantly improved properties compared to nylon with regard to moisture absorption and regulation, dye fastness, elasticity, flame retardance, etc. Moreover, Cathay could become the first company worldwide to produce diamine 5 commercially from renewable materials. Diamines are used in combination with dicarboxylic acids for the production of nylon.

In the past year, Cathay achieved a turnover of approximately USD 90 million in its core business areas. In the medium term, the company is targeting an IPO to further finance its growth.

# Genmab

Copenhagen, Denmark

DKK **53,827** million

Market capitalisation as at 31.3.2016

Market approval for  
**daratumumab**  
in the USA

Share price

## NASDAQ OMX



CHF **40** million

Fair value as at 31.3.2016



Haematological malignancies are cancers of the blood, bone marrow and lymphatic system. Current drug development focuses on leukaemia, lymphoma, and multiple myeloma. Unlike solid tumours, haematological malignancies are systemic, affecting the entire body. Significant progress in the treatment of various forms of leukaemia and lymphoma has been made in recent years.

Genmab specialises in the development of human antibody therapeutics for the treatment of different forms of cancer. Two products are on the market: the human antibody ofatumumab is approved for patients with chronic lymphocytic leukaemia under its trade name Arzerra®, and is distributed by Novartis in the USA and Europe. In November 2015, the daratumumab antibody was approved in the USA for the treatment of difficult-to-cure forms of multiple myeloma, and is sold there as DARZALEX®.

Daratumumab is a human monoclonal antibody directed against the target molecule CD38. CD38 is one of the strongest and most common antigens on the surface of malignant plasma cells and is a well-established diagnostic marker for multiple myeloma. The drug is developed and marketed together with Janssen Biotech (Johnson & Johnson). Several studies are currently underway, as a single agent and in combination therapy, in various therapeutic areas. Analysts believe the drug has blockbuster potential. In addition, Genmab is testing active ingredients against other types of cancer. Seven drug candidates are in clinical development.

In addition to conventional human antibodies Genmab owns another two, patented antibody technologies. The DuoBody® platform allows for the development of bispecific antibodies that bind two different molecules at once, while the HexaBody™ technology enhances the antibodies' effectiveness. Both technologies are licensed under partnership agreements.

In 2015 the company increased its revenues by one third to reach an equivalent of over EUR 150 million, and generated a record-high operating profit of the equivalent of approximately EUR 100 million.

The share price rose by 74 percent during the reporting period.

# Ophthotech

Princeton/NJ, USA

USD **1,482** million  
Market capitalisation as at 31.3.2016

Phase-III progress for  
**Fovista<sup>®</sup>**

Share price

**NASDAQ**



1.4.2015 to 31.3.2016

CHF **25** million  
Fair value as at 31.3.2016

The incidence of severe diseases of the retina increases with age. Age-related macular degeneration (AMD), for instance, is the most common cause of blindness of older people in industrialised countries. Worldwide, some 25 to 30 million people are affected, and 500,000 new cases are added each year. A distinction is made between the more serious wet AMD and the dry form.

Ophthotech is specialised in the clinical development of drugs for the treatment of severe disorders of the retina. Its emphasis is on new therapies for age-related macular degeneration.

Fovista<sup>®</sup>, the company's most advanced product candidate, combats the PDGF protein. By contrast, the current approved standard therapy focuses on the VEGF compound. Both proteins govern cell growth. Ophthotech aims to increase the efficacy of the current anti-VEGF therapies by combining them with its own anti-PDGF method. To prove this, Fovista<sup>®</sup> is currently undergoing a broad-based phase-III trial. Pivotal data are expected by the end of 2016. A major licensing agreement is already in place with Novartis, in which total upfront and milestone payments could exceed USD 1 billion, not including future royalties.

Ophthotech has another promising compound for severe retina disorders in clinical phase II/III. development: Zimura<sup>®</sup> is tested for use against geographic atrophy, a severe form of age-related dry macular degeneration, which is not treatable today.

Ophthotech's products are aimed at a market with global sales recorded at USD 7 billion. If the company's products succeed in improving current therapies' effectiveness, Ophthotech will become a major player on this market.

In 2015, Ophthotech increased its revenues from cooperation agreements by approximately 25 percent to USD 52 million but reported a loss of USD 106 million for the full year, after USD 117 million in 2014. By the end of 2015, the company had a cash position of USD 392 million.

The share price declined by 9 percent during the reporting period.

# Corporate Governance



**HBM Healthcare Investments Ltd (HBM Healthcare or the Company) emphasises the systematic implementation of a corporate governance policy as a key component of its corporate culture. The objective of corporate governance is to ensure transparent business policy and the responsible use of deployed resources by the Company's Board of Directors and Management. It establishes a system of transparency, checks and balances that is tailored to the size and complexity of HBM Healthcare.**

This Corporate Governance Report contains the information, effective 31 March 2016, that is required by the "Directive on Information Relating to Corporate Governance (DCG)" issued by SIX Swiss Exchange, and the content and scope, which are required under the provisions of the "Ordinance against Excessive Compensation in Listed Companies (OAEC)" issued by the Federal Council and entered into force on 1 January 2014, and is structured in accordance with these directives.

## 1. Group structure and shareholders

### 1.1 Group structure

HBM Healthcare Investments (Group) holds and manages an international portfolio of some 25 promising companies in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas.

The Group comprises HBM Healthcare Investments Ltd, Zug, and its subsidiaries HBM Healthcare Investments (Cayman) Ltd, Cayman Islands, wholly-owned by HBM Healthcare Investments Ltd, as well as HBM Biomedicine (Cayman) Ltd, Cayman Islands, and HBM Private Equity India, Republic Mauritius, both wholly-owned by HBM Healthcare Investments (Cayman) Ltd.

### HBM Healthcare Investments Ltd

HBM Healthcare is a holding company established under Swiss law and domiciled in Zug. The objective of the company is to purchase, hold and sell positions in other companies, as well as to manage and finance such positions.

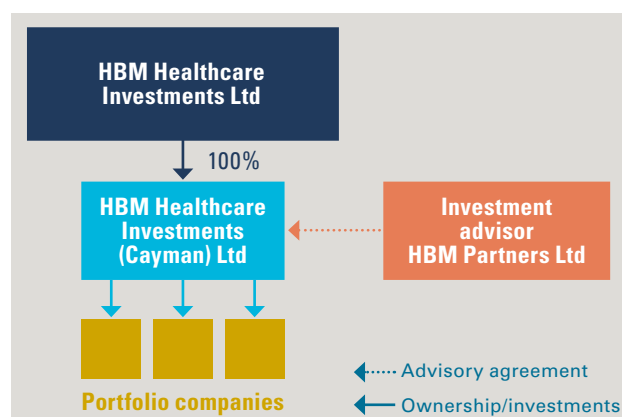
The Company's shares are listed on SIX Swiss Exchange. For further information about the shares, please refer to the "Investor Information" section on page 90.

### HBM Healthcare Investments (Cayman) Ltd

All investments in portfolio companies are held via HBM Healthcare Investments (Cayman) Ltd, some of them indirectly via the above mentioned subsidiaries.

The share capital of HBM Healthcare Investments (Cayman) Ltd was CHF 846 million as at 31 March 2016.

## Group structure



## 1.2 Investment advisor

The role of investment advisor to HBM Healthcare Investments (Cayman) Ltd and its subsidiaries is performed by HBM Partners Ltd, Zug. As an asset manager of collective investment schemes in accordance with Art. 13 para. 2 f CISA, HBM Partners Ltd is subject to supervision by the Swiss Financial Market Supervisory Authority FINMA.

HBM Partners Ltd, based in Zug, Switzerland, provides as an investment advisor a variety of services to HBM Healthcare Investments (Cayman) Ltd and its subsidiaries under the terms of an advisory agreement. HBM Partners Ltd provides defined advisory services, specifically the identification and evaluation of possible investment targets, the coordination and conduction of due diligence and contractual negotiations in respect of investments, the support of portfolio companies, the monitoring of portfolio holdings and the assessment of potential exit strategies.

## 1.3 Significant shareholders

As at the balance sheet date, the Company had 1,358 registered shareholders. Shareholders are institutional and private investors.

For details of shareholders with equity holdings of three percent or more, see note 8.3 to the Consolidated Financial Statements on page 71.

A complete overview of all disclosures received and published by the Company is available on the websites of HBM Healthcare Investments (<http://www.hbmhealthcare.com/en/investoren/bedeutende-aktionaere.php>) and SIX Swiss Exchange. The Company is not aware of the existence of any shareholder pooling agreements.

## 2. Capital structure

### 2.1 Share capital and changes to share capital

The Company's share capital of CHF 450,450,000 consists of 7,700,000 fully paid up registered shares with a par value of CHF 58.50 each. No share certificates are issued.

A review of the Company's changes in capital since 31 March 2013 is provided in the parent company's "Development of shareholders' equity", see page 83.

## 2.2 Rights attached to shares

Each registered share carries one vote at the Ordinary Shareholders' Meeting (with exemption of the following note 2.3). There are no shares which carry preferential voting rights. Shareholders are entitled to dividends and to other rights as laid down in the Swiss Code of Obligations (CO).

## 2.3 Limitations on transferability

The Board of Directors may refuse the transfer of shares if the number of registered shares held by the prospective buyer exceeds ten percent of the total number of registered shares pursuant to the Commercial Register. A number of purchasers acting in a group or in a coordinated manner in order to circumvent registration restrictions are deemed to be a single share purchaser. The Company may also refuse entry in the share register if the share purchaser does not explicitly confirm upon request that they have acquired the shares under their own name and for their own account. These limitations on transferability are laid down in the Articles of Association and can be lifted only by an absolute majority of the votes cast at the Ordinary Shareholders' Meeting.

## 3. Board of Directors

### 3.1 Members of the Board of Directors

As at 31 March 2016, the Board of Directors was composed of the following members:

Board of Directors	First elected
Hans Peter Hasler, Chairman	2009
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	2001
Mario G. Giuliani	2012
Dr Eduard E. Holdener	2008
Robert A. Ingram	2006
Dr Rudolf Lanz	2003

Specific knowledge of the healthcare and financial sector is needed to ensure the active monitoring of business activities. The members of the Board of Directors cover the following areas of expertise: Hans Peter Hasler and Robert A. Ingram: sector and marketing strategies, FDA; Dr Eduard E. Holdener: research and development; Prof. Heinz Riesenhuber and Mario G. Giuliani: management, production, audit; Dr Rudolf Lanz: finance, M&A transactions, audit.

The Board of Directors is elected by an absolute majority of the votes cast at the Ordinary Shareholders' Meeting (i.e. at least half of the valid votes cast plus one vote). There are no limitations on its tenure. Further information on the members of the Board of Directors is given on pages 33 to 35.

The Shareholders' Meeting appoints the independent proxy-holder for a period of office that lasts until the close of the next ordinary Shareholders' Meeting. They may be reappointed. If the Company does not have an independent proxy-holder, one will be appointed by the Board of Directors for the next Shareholders' Meeting.

### 3.2 Internal organisation

The Board of Directors shall consist of five or more members, who must be shareholders. The Board of Directors consists of a Chairman, Vice Chairman and members, who shall be appointed to various committees. In the current reporting period 2015/2016 the following committees have been active:

- > Audit Committee;
- > Compensation Committee;
- > Nominating Committee.

The Shareholders' Meeting elects the members of the Board of Directors and the Chairman of the Board of Directors individually for a term of office that lasts until the close of the next ordinary Shareholders' Meeting. They may be reappointed. If the position of Chairman is vacant, the Board of Directors will nominate one of its members to serve as Chairman until the close of the next ordi-

nary Shareholders' Meeting. With the exception of the election of the Chairman and the members of the Compensation Committee, the Board of Directors constitutes itself. It appoints its Secretary, who need not be a member of the Board of Directors.

Board meetings are convened by the Chairman or, in his absence, by the Vice Chairman. Individual members of the Board of Directors may, stating their reasons, demand that the Chairman call a meeting immediately. Prior to the meetings, the members of the Board of Directors receive comprehensive documentation on the agenda items to be discussed.

The Board of Directors passes its resolutions by a majority of votes cast, whereby the Chairman has the deciding vote in the event of a tie. The Board of Directors is quorate when the majority of its members takes part in a Board meeting. No quorum is required for resolutions on statements about capital increases that have already taken place. Resolutions of the Board of Directors or of a Board Committee may also be passed by way of written consent to a proposal, i.e. by ordinary mail or telefax or via e-mail (circular resolution), provided that (1) all members of the respective body have been given prior notification of the text of the resolution and provided that (2) no member requests oral deliberation within the period stipulated for the vote. The resolution requires the approval by the majority of the votes of the entire respective body.

Four half-day meetings of the Board of Directors took place during the 2015/2016 financial year. The Company's Chief Executive Officer and Chief Financial Officer, as well as Dr Benedikt Suter, in his function as the Board's secretary, attended all Board meetings.

The rule with respect to the number of permissible external mandates of members of the Board of Directors can be found in Art. 26 of the Articles of Association. The Articles of Associations are available on the Company's website (<http://www.hbmhealth->

care.com/wAssets/docs/unternehmensdokumente/Articles-of-Association.pdf).

### Audit Committee

The Audit Committee supports the Board of Directors in the supervision of the Company's business activities in the following domains, in accordance with written guidelines:

- > financial reporting;
- > auditing and controlling;
- > compliance with laws, directives and corporate governance.

In performing its function, the Audit Committee reviews how the Company's largest financial exposures and risks are handled, as well as the independence and performance of the Company's auditors. The Audit Committee does not have decision-making power.

The members of the Audit Committee are appointed by the Board of Directors. Their term of office corresponds to the term of office on the Board of Directors. They may be reappointed. The current members of the Audit Committee are:

<b>Audit Committee</b>	<b>First appointed to the committee</b>
Prof. Dr Dr h.c. mult. Heinz Riesenhuber	2001
Dr Rudolf Lanz	2003

The Audit Committee held three half-day meetings during the 2015/2016 financial year. All of the meetings were also attended by the Company's CEO and CFO, as well as by Thomas Heimann, in his function as the Audit Committee's secretary. The members of the Audit Committee report to the full Board of Directors on the issues they have discussed. Minutes of Audit Committee meetings are sent for information to all members of the Board of Directors.

### Compensation Committee

Members of the Compensation Committee were appointed by the Shareholders' Meeting in June

2015. The Compensation Committee comprises at least two members of the Board of Directors. The Shareholders' Meeting appoints the members of the Compensation Committee individually for a period of office that lasts until the close of the next ordinary Shareholders' Meeting. They may be reappointed. If there is a vacancy or vacancies on the Compensation Committee, the Board of Directors will nominate one or more of its members to serve on the Compensation Committee until the close of the next ordinary Shareholders' Meeting. The Compensation Committee constitutes itself. It appoints one of its members as its Chairman. The Board of Directors shall otherwise issue rules on the organisation of the Compensation Committee and how it passes its resolutions.

The Compensation Committee supports the Board of Directors with the determination and review of compensation policy and guidelines and performance targets, as well as with the preparation of proposals to the Shareholders' Meeting concerning the compensation to be paid to the Board of Directors and Management. It may submit proposals to the Board of Directors on other compensation-related matters.

The Board of Directors shall determine in a set of regulations those functions of the Board of Directors and Management for which the Compensation Committee, with the Chairman of the Board of Directors or alone, shall propose performance objectives, target figures and compensation, or shall determine performance objectives, target figures and compensation itself as provided for in the Articles of Association and in the guidelines on compensation issued by the Board of Directors. The Board of Directors may allocate further duties to the Compensation Committee. The current members of the Compensation Committee are:

<b>Compensation Committee</b>	<b>First appointed to the committee</b>
Hans Peter Hasler	2014
Mario G. Giuliani	2014
Robert A. Ingram	2014



The Compensation Committee held one meeting during the 2015/2016 financial year.

### Nominating Committee

The Nominating Committee was established in September 2008. It is concerned with the composition of the Board of Directors and, jointly with the Chairman, supports the Board in implementing a process for the nomination of new members. The members of the Nominating Committee are appointed by the Board of Directors. Their term of office corresponds to their term of office on the Board of Directors. They may be reappointed. The members of the Nominating Committee are not compensated separately. The current members of the Nominating Committee are:

<b>Nominating Committee</b>	<b>First appointed to the committee</b>
Dr Rudolf Lanz	2008
Robert A. Ingram	2008

The Nominating Committee did not hold any meetings during the 2015/2016 financial year.

### 3.3 Authorities and responsibilities of the Board of Directors and Management

The Board of Directors is the Company's highest governing body and is also charged with supervising and monitoring the activities of the Management. Furthermore, the Board of Directors passes resolutions on all matters which are not the preserve of the Shareholders' Meeting by law or the Articles of Association.

As the Company's highest governing body, the Board of Directors is responsible for the following, in particular:

- > defining the strategy;
- > issuing the organisational regulations;
- > appointing the members of Management;
- > issuing accounting policies;
- > passing resolutions on motions to be put to the Ordinary Shareholders' Meeting.

The supervision and monitoring of management activities includes the following specific tasks:

- > annual risk assessment;
- > setting up an appropriate system of internal checks and balances;
- > receiving regular reports on the Company's business;
- > examining the management report, the annual consolidated, statutory and interim financial statements and the compensation report;
- > examining the reports produced by the statutory auditors.

The members of the Board of Directors do not hold executive positions; neither has any member of the Board of Directors held an executive position with HBM Healthcare Investments in the past. In particular, the Company's Board of Directors does not, in the context of regular business operations, take any decisions with regard to investments in, or disposals of, individual companies.

### 3.4 Information and control instruments with regard to Management

The Board of Directors has adopted directives on all of the major aspects of business activities. The key directives are:

- > the Investment Guidelines, see pages 39 to 41;
- > the Operations Manual, which governs the investment and disposal processes and the monitoring of portfolio companies;
- > guidelines on own-account trading for members of governing bodies and members of staff;
- > guidelines on trading in the Company's own shares for members of governing bodies and members of staff.

#### Guidelines on own-account trading

The Company has issued restrictive guidelines for members of HBM Healthcare Investments' governing bodies on trading for their own accounts. These guidelines also apply to HBM Partners Ltd (HBM Partners) and its staff as well as to HBM Partners' contractual partners and their staff. In principle, own-account trading involving private companies in

the human medicine, biotechnology, medical technology, diagnostics, and related sectors are prohibited. In addition to a number of other regulations, own-account trading in public companies is subject to the rule that the interests of the Group must not be infringed upon. Own-account trading involving private companies may be authorised in exceptional cases.

#### **Guidelines on trading in the Company's own shares**

The Company has issued restrictive guidelines for members of HBM Healthcare Investments' governing bodies on trading in the Company's own shares. These guidelines also apply to HBM Partners and its staff as well as to HBM Partners' contractual partners and their staff. Trading in the Company's own shares is prohibited for insiders if unpublished information exists which would probably be of significance in an investor's decision to buy or sell such shares. Furthermore, insiders are not permitted to trade within defined time windows.

#### **Transactions with related parties**

Details of transactions with related parties are given in note 14 to the Consolidated Financial Statements on pages 77 to 79.

#### **Information instruments**

In addition to the Company's comprehensive external reporting, prior to each of its meetings, the Board of Directors receives detailed documentation from the Management about the performance of the Company and its advisory organisation. Among the issues reported upon at each meeting of the Board of Directors are financial performance, major portfolio events, liquidity planning, new developments in the advisory organisation, and compliance with own-account and insider trading guidelines. Regular meetings are held between the Chairman of the Board and the Management.

#### **External review mandates**

The Board of Directors has issued the following review mandates to the auditors as a complement to the external audit of the financial statements that is required by law:

- > review of the corporate governance section of the annual report;
- > review of the compensation report;
- > audit procedures required by law in relation to the reduction of corporate capital.

The auditors must submit a written report on their findings to the Board of Directors. The findings of audits and reviews are also discussed with the auditors in the context of the Audit Committee.

### **4. Management**

#### **4.1 Members of Management**

As at 31 March 2016, the Management was composed of the following members:

- > Dr Andreas Wicki, Chief Executive Officer;
- > Erwin Troxler, Chief Financial Officer.

The rule with respect to the number of permissible external mandates of members of the Management can be found in Art. 26 of the Articles of Association. The Articles of Association are available on the Company's website (<http://www.hbmhealthcare.com/wAssets/docs/unternehmensdokumente/Articles-of-Association.pdf>).

Further information on the members of Management is given on page 36.

#### **4.2 Advisory agreement**

HBM Healthcare Investments (Cayman) Ltd has entered into an advisory agreement with HBM Partners Ltd. Detailed information on the core elements of the advisory agreement and on the scope of remuneration is provided in the Compensation Report (section 9) on pages 47 and 48.

## 5. Remuneration and share allotments

### 5.1 Remuneration paid to serving members of governing bodies; method of determination

Details of the remuneration paid to serving members of governing bodies, as well as how this remuneration is determined, can be found in the Compensation Report (sections 3 and 4) on pages 44 to 46.

The rules governing the approval by the Shareholders' Meeting of the remuneration of the members of the Board of Directors and the Management, the additional amount as well as the principles governing the remuneration of the members of the Board of Directors and the Management can be found in Articles 24, 24a and 24b of the Articles of Association. Rules under the Articles of Association concerning loans, credits and pension benefits can be found in section 10.2 of the Compensation Report on page 49.

### 5.2 Disclosure of share transactions and ownership of governing bodies

HBM Healthcare Investments publishes each purchase or sale of Company shares by members of the Board of Directors or the Management within three trading days. This information is available on the website of SIX Swiss Exchange.

Details of the shares owned by serving members of governing bodies can be found in the notes to the Parent Company Financial Statements on page 86.

## 6. Shareholder co-determination rights

### 6.1 Voting rights

The right to vote may be exercised by anyone who is entered in the share register as a shareholder with voting rights on the cut-off date determined by the Board of Directors, provided they do not sell their shares before the end of the Ordinary Shareholders' Meeting. Shareholders who hold their shares via nominee entries are not entitled to vote.

### 6.2 Submission of agenda items

Motions and issues for discussion from shareholders holding shares with a par value of CHF 1,000,000 or more will be included in the agenda of the Ordinary Shareholders' Meeting, provided they are submitted in writing to the Board of Directors before the meeting actually convenes. The Ordinary Shareholders' Meeting itself may decide to permit the debate of motions on matters not properly submitted for discussion as described above. No resolution on the matter in question may be passed until the next Ordinary Shareholders' Meeting, however. Motions to call an Extraordinary Shareholders' Meeting or to conduct a special audit are not subject to this regulation. No advance notice is required to propose a motion in connection with matters already tabled for discussion.

### 6.3 Entries in the share register

Entry in the share register requires evidence of the purchase of title to registered shares or of a right of usufruct. No entries are made in the share register between the cut-off date determined by the Board of Directors and the day following the Ordinary Shareholders' Meeting.

## 7. Change of control and defensive measures

No rules regarding change of control and defensive measures have been made in the Articles of Association.

## 8. Auditors

### 8.1 Duration of mandate and term of office of auditor in charge

The Ordinary Shareholders' Meeting appoints the Company's auditors for each financial year. Ernst & Young Ltd was appointed as the Company's statutory and group auditors for the first time for the 2001/2002 financial year. Martin Mattes has been auditor in charge since the 2012/2013 financial year.

### 8.2 Audit fees

The fee paid to Ernst & Young Ltd for auditing the Company's statutory and consolidated financial statements amounted to CHF 155,000 (previous year: CHF 153,500) during the fiscal year. The fee for auditing the capital reduction amounted to CHF 8,000 (previous year: CHF 7,600). The fee for auditing the compliance with bond terms amounted to CHF 4,000 (previous year: no fee). Additional fees for reviewing the corporate governance disclosures in the annual report, the compensation report as well as other audit-related services amounted to CHF 9,425 (previous year: CHF 6,500).

### 8.3 Supervision and control instruments with regard to the auditors

The independence and performance of the auditors are reviewed by the Audit Committee. The auditors are instructed to issue audit reports on the annual consolidated and statutory financial statements, on their review of the corporate governance section of the annual report and the compensation report, as well as to run the audit procedures required by law in relation to the reduction of corporate capital. In addition, the Board of Directors receives a management letter from the auditors if required, and a comprehensive report following the annual audit. These documents are discussed by the Audit Committee with the auditors. Representatives of the auditors attended two of the total of three Audit Committee meetings taking place in the 2015/2016 financial year.

## 9. Information policy

Every year, the Company publishes an annual report and three quarterly reports. The Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) is the Company's official publication for announcements. Moreover, the current net asset value (NAV) is published twice monthly on the Company's website ([www.hbmhealthcare.com](http://www.hbmhealthcare.com)). The Company is subject to the ad hoc publicity disclosure rules of SIX Swiss Exchange.

Further details of the Company's sources of information are given in the "Investor Information" section on page 90.

The Company's contact address is:  
HBM Healthcare Investments Ltd  
Bundesplatz 1, 6300 Zug, Switzerland  
Phone +41 41 710 75 77  
Fax +41 41 710 75 78  
[info@hbmhealthcare.com](mailto:info@hbmhealthcare.com)  
[www.hbmhealthcare.com](http://www.hbmhealthcare.com)

## 10. Inapplicability/negative declaration

It is hereby stated expressly that all information that is not contained or mentioned in the corporate governance section is deemed inapplicable or is to be understood as a negative declaration.

**Hans Peter Hasler**  
Chairman of the Board of Directors  
Member of the Compensation Committee  
Date of birth 2.2.1956  
Nationality Swiss



**Prof. Dr Dr h.c. mult. Heinz Riesenhuber**  
Vice Chairman of the Board of Directors  
Member of the Audit Committee  
Date of birth 1.12.1935  
Nationality German



"HBM Healthcare operates in an attractive investment universe with a high innovation rate and long-term growth."

#### Education

Swiss Federal Commercial Diploma  
Marketing Certificate, Swiss School of Business  
Administration SIB, Zurich.

#### Professional history

**Since 2010** HPH Management GmbH, Switzerland, Global Life Science Advisors  
**2012–2013** Elan Corporation plc, Chief Operating Officer (COO)  
**2008–2009** Biogen Idec Inc, USA, Chief Operating Officer (COO)  
**2001–2007** Biogen Inc, USA, Head of Commercial Operations, Cambridge/USA and Zug/Switzerland  
**1998–2001** Wyeth Pharmaceuticals, USA, Senior Vice President, Chief Marketing Officer/Head of Global Strategic Marketing  
**1993–1998** Wyeth Pharmaceuticals, Switzerland, Austria, Eastern Europe, Germany

#### Directorships

**Since 2016** Patheon Inc, USA, Member of the Board of Directors  
**Since 2014** AOP Orphan Pharmaceuticals AG, Member of the Board of Directors  
**Since 2012** MIAC AG (Medical Imaging Analysis Center AG, a not-for-profit organisation set up by the University Hospital of Basle), Chairman of the Board of Directors

"Adding value in human medicine, biotechnology, medical technology and related fields; that's what HBM has been standing for since 2001."

#### Education

Master's and PhD degrees in chemistry; post-doctoral fellow, University of Frankfurt am Main, Germany.

#### Professional history

**Since 2006** German Parliamentary Society, Chairman  
**2004–2010** Kabel Deutschland GmbH, Chairman  
**2000–2007** Vodaphone Germany, Member of the Board of Directors  
**1998–2008** Henkel & Co KGaA, Member of the Board of Directors  
**Since 1995** Goethe University, Honorary Professor  
**1994–2000** Mannesmann AG, Member of the Board of Directors  
**1993–2007** Altana AG, Chairman of the Board of Directors  
**1993–2008** Evotec AG, Chairman of the Board of Directors  
**1982–1993** German Federal Minister of Research & Technology  
**Since 1976** Member of the German Federal Parliament; 2001-2002 Chairman of the Committee of Economics and Technology  
**1971–1982** Synthomer Chemie GmbH, CEO  
**1966–1971** Erziehungsgesellschaft mbH, since 1968 CEO

#### Directorships

**Since 2001** Heidelberg Innovation BioScience Venture II GmbH, Member of the Investors Committee

**Mario G. Giuliani**  
Member of the Board of Directors  
Member of the Compensation Committee  
Date of birth 26.2.1972  
Nationality Swiss



**Dr med. Eduard E. Holdener**  
Member of the Board of Directors  
Date of birth 14.1.1945  
Nationality Swiss



"The combination of private and public investments provides flexibility for new investments with value creation potential."

#### Education

Degree in Economics and Commerce from the Catholic University of the Sacred Heart in Milan, Italy.

#### Professional history

**Since 1996** Giuliani SpA, Italy  
Since 1999 Member of the Board of Directors  
2003–2014 President  
2001–2014 CEO  
1999–2000 CFO  
1996–1997 Finance and Controlling  
**1998–1999** Vector Fund Management, USA, Associate

#### Directorships

**Since 2015** Jukka LLC,  
Member of the Board of Directors  
**Since 2015** NGR (MONACO) SAM,  
Chairman of the Board of Directors  
**Since 2015** Nogra Group SA,  
Member of the Board of Directors  
**Since 2013** Fair-Med Healthcare AG,  
Chairman of the Board of Directors  
**Since 2010** Giuliani Group SPA,  
Member of the Board of Directors  
**Since 2001** Royalty Pharma,  
Member of the Investment Committee  
**Since 2000** Mosaix Ventures, LLP, Member of the Investment Committee

"Our dense international network and impeccable reputation facilitate access to companies with potential."

#### Education

University of Zurich, Faculty of Medicine, Zurich, Switzerland (graduation November 1971);  
MD degree (dissertation) University of Basle, Faculty of Medicine, Basle, Switzerland, 1975.  
Clinical activities and training for specialist in internal medicine and oncology, 1972–1986.

#### Professional history

**1986–2007** F. Hoffmann-La Roche Ltd, Basle, Switzerland  
2006–2007 Chief Medical Officer (CMO) and Member of the Extended Corporate Executive Committee  
1999–2006 Global Head of Pharma Development and CMO  
1996–1998 Head of Pharma Development, Nippon Roche K.K., Tokyo, Japan  
1994–1995 Deputy Head Global Clinical Development  
1991–1994 Head of Global Clinical Development in Oncology  
1986–1990 Head of Clinical Interferon Development

#### Directorships

**Since 2008** NovImmune SA, Chairman of the Board of Directors, CEO (since 2016)  
**Since 2008** Parexel International Co.,  
Member of the Board of Directors

**Robert A. Ingram**  
Member of the Board of Directors  
Member of the Compensation Committee  
Member of the Nominating Committee  
Date of birth 6.12.1942  
Nationality USA



**Dr Rudolf Lanz**  
Member of the Board of Directors  
Member of the Audit Committee  
Member of the Nominating Committee  
Date of birth 16.6.1950  
Nationality Swiss



"HBM Healthcare does not stop at financing our portfolio companies but also supports them with strategic guidance."

"M&A activity in the healthcare sector is generally high and continuously creates profitable exit opportunities."

#### Education

Bachelor of Science in Business Administration from the Eastern Illinois University, Lumpkin College of Business, Charleston, Illinois, USA.

#### Professional history

**Since 2007** Hatteras Venture Partners, USA, General Partner

**1990–2010** GlaxoSmithKline plc

2010 Advisor to the CEO

2003–2009 Vice Chairman Pharmaceuticals

2001–2003 President and COO Pharmaceutical Operations

1999–2000 Chairman of the Board of Directors Glaxo Wellcome Inc

1997–2000 CEO Glaxo Wellcome plc

1990–1997 Several executive positions

#### Directorships

**Since 2015** Viamet Pharmaceuticals, Inc, Chairman of the Board of Directors

**Since 2015** BioCryst Pharmaceuticals, Inc, Member of the Board of Directors

**Since 2011** Novan Inc, Chairman of the Board of Directors

**Since 2008** Cree, Inc, Member of the Board of Directors (Lead Independent Director)

**Since 2003** Valeant Pharmaceuticals International, Chairman of the Board of Directors

#### Education

Master's degree in economics from the University of St. Gallen, Switzerland; doctorate in law from the University of Berne, Switzerland.

#### Professional history

**2000–2009** The Corporate Finance Group AG (TCFG), Co-Founder, Partner and Chairman of the Board of Directors

**1980–2000** Ernst & Young Ltd, Zurich and Berne

1997–2000 Member of the Executive Committee

1995–1999 CFO

1994–1997 Member of the Board of Directors

1992–2000 Partner

1988–2000 Head of Mergers & Acquisitions/Corporate Finance

1980–1988 Business Consultant Strategy, Finance and M&A

**1976–1977** Allgemeine Treuhand Ltd, Basle, Assurance and Advisory Department

#### Directorships

**Since 2015** MIAC AG Basel, Member of the Board of Directors

**Since 2009** Dr Rudolf Lanz AG, Chairman of the Board of Directors

**Since 2009** Pearls Fashion Holding AG, Member of the Board of Directors

**Dr Andreas Wicki**  
Chief Executive Officer  
Date of birth 1.12.1958  
Nationality Swiss



**Erwin Troxler**  
Chief Financial Officer  
Date of birth 30.5.1970  
Nationality Swiss



"The broadly diversified portfolio of HBM Healthcare carries further significant value-creation potential for shareholders."

#### Education

Studies in chemistry and biochemistry at the University of Berne, Switzerland, graduating in 1983; doctoral thesis at the Theodor Kocher Institute of the University of Berne, completed in 1986.

#### Professional history

**Since 2001** HBM Healthcare Investments Ltd and HBM Partners Ltd, Zug, CEO

**1998–2001** Private Equity Holding Ltd, Venture Capital Advisor for life science investments

**1994–2001** Clinserve Ltd, Founder and CEO

**1993–1998** APAX Partners private equity group, Investment Advisor for life sciences

**1991–2001** ANAWA Holding AG / MDS Pharma Services Inc, CEO (1996) and Chairman (1998)

**1988–1990** Vivagen Diagnostics Ltd, Berne (sold to Unilabs Corp in 1990), Founder and CEO

#### Directorships

**Since 2007** Pacira Pharmaceuticals, Inc, Member of the Board of Directors

**Since 2001** HBM Healthcare Investments (Cayman) Ltd, Member of the Board of Directors

**Since 2000** Buchler GmbH/Fagus GmbH, Member of the Board of Directors

"A very solid capital structure, conservative valuation methods and a comfortable liquidity cushion provide security for investors."

#### Education

Lucerne School of Economics and Business Administration, HWW (1996); Swiss Certified Public Accountant (2000).

#### Professional history

**Since 2005** HBM Healthcare Investments Ltd and HBM Partners Ltd, Zug

Since 2011 Chief Financial Officer

2005–2011 Management of several areas within the Finance Department

**2002–2005** Julius Baer Family Office, Zug, VP, Deputy Branch Manager, responsible for investment companies in the private equity segment

**1999–2002** PricewaterhouseCoopers Ltd, Lucerne, Audit Manager, responsible for audits of banks and of other clients in the financial services sector

**1990–1993** Luzerner Kantonalbank

#### Directorships

**Since 2014** Swiss Association of Investment Companies (SAIC), Chairman



## HBM Healthcare Investments Ltd, Zug

Zurich, 17 May 2016

### Review Report for the Corporate Governance disclosures

In accordance with your instructions, we have reviewed the Corporate Governance disclosures of HBM Healthcare Investments Ltd according to the Directive Corporate Governance (DRC) issued by the SIX Swiss Exchange (pages 25 to 36) for the year ended 31 March 2016.

These disclosures are the responsibility of the Board of Directors. Our responsibility is to issue a report on these disclosures based on our review.

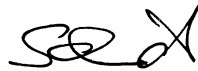
Our review was conducted in accordance with Swiss Auditing Standard 910 applicable to review engagements, which requires that a review be planned and performed to obtain moderate assurance about whether the Corporate Governance disclosures are free from material misstatements. A review is limited primarily to inquiries of personnel and analytical procedures applied to the disclosures and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Corporate Governance disclosures of HBM Healthcare Investments Ltd are not complete with regard to the Directive Corporate Governance (DCG) issued by the SIX Swiss Exchange, contain material misstatements or are not in compliance with it.

Ernst & Young Ltd



Martin Mattes  
Licensed audit expert  
(Auditor in charge)



Jörg Schmidt  
Licensed audit expert

# Investment Guidelines



## The Investment Guidelines determine the investment activities of HBM Healthcare Investments Ltd and its subsidiaries (HBM Healthcare Investments). In particular, they set out the overall investment strategy, the tolerance of risk and the general risk management philosophy.

### 1. Investment objective

HBM Healthcare Investments' objective is to generate long-term capital gains with investments in private and public companies in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas.

### 2. Investment strategy

Within its target sector, HBM Healthcare Investments invests predominantly in later-stage private companies which are attractively valued and have a convincing business model, including their product pipeline, technology and management:

> The initial investment is typically made in the later stages of clinical development, and where profitable or cash flow-neutral companies require financing for their expansion. There must be an attractive ratio between value-creation potential and the risk of the investment. HBM Healthcare Investments must also be able to influence the portfolio company, particularly with regard to its exit from the investment.

- > HBM Healthcare Investments may acquire majority participations in portfolio companies.
- > The amount of the investment may be increased in follow-on financing rounds provided the value-creation potential remains intact.
- > HBM Healthcare Investments has the flexibility to increase its investment further at the time of or after the portfolio company's IPO.

### Geographical focus

Investments are made worldwide – primarily in Europe, Asia and North America.

### Availability of funds

HBM Healthcare Investments maintains adequate short-term funds to ensure that it is able to satisfy all of its commitments, including follow-on financing for portfolio companies. Cash and cash equivalents are held with a variety of top-rated banks.

### Debt financing

With the approval of the Board of Directors, HBM Healthcare Investments Ltd may obtain debt financing totalling no more than 20 percent of net assets at any time. Where possible, the repayment dates for this borrowed capital will be staggered over time.

### Hedging

HBM Healthcare Investments may hedge all or part of its investment risks using derivatives or other appropriate financial instruments. Such transactions must be aimed at reducing overall portfolio risk.

### Investment instruments

HBM Healthcare Investments' investments are made primarily in equities. HBM Healthcare Investments may also invest in other instruments including, but not limited to, convertible bonds and, exceptionally, debt securities and derivatives.

### 3. Investment categories

HBM Healthcare Investments continually optimises the composition of its portfolio in line with its sector focus and prevailing market circumstances. HBM Healthcare Investments holds a diversified portfolio of high-quality companies with considerable potential. Without the consent of the Board of Directors of HBM Healthcare Investments Ltd, the acquisition cost of any single investment may not exceed 10 percent of net assets.

#### Private companies

The majority of the capital that is realised and available from the portfolio flows through an investment cycle into direct participations in private companies with a convincing business model. HBM Healthcare Investments may acquire majority holdings in portfolio companies, and guides and supports them.

#### Public companies

HBM Healthcare Investments may increase its investment in a portfolio company at the time of or after the latter's IPO. HBM Healthcare Investments may also make investments in public companies. Increases in the value of existing holdings – following private portfolio company IPOs, for example – may result in a significant proportion of net assets being held in public companies.

#### Financial instruments (not related to hedging)

HBM Healthcare Investments may hold "long" positions in options, and "short" positions in put options. Based on the principal amount, these position may cumulated amount to up to 20 percent of the net assets of HBM Healthcare Investments. Selling of uncovered call options is not allowed. Holdings in sold call options which are covered by the corresponding portfolio holdings may be entered into additionally.

#### **4. Investment decisions**

Investment and disposal decisions in relation to individual companies are taken by the Board of Directors of the investing HBM Healthcare Investments entity, HBM Healthcare Investments (Cayman) Ltd, based on the recommendations of the investment advisor, HBM Partners Ltd. Within the scope of HBM Healthcare Investments' ordinary business activities, the Board of Directors of HBM Healthcare Investments Ltd does not make any company-specific investment or disposal decisions.

#### **5. Application of and changes to the Investment Guidelines**

The original Investment Guidelines were adopted by the Board of Directors of HBM Healthcare Investments Ltd on 6 December 2001, revised on 14 May 2004, on 7 July 2006, on 25 June 2010, on 12 May 2014 and passed in their present form on 11 February 2015. These Investment Guidelines define and regulate the investment activities of HBM Healthcare Investments Ltd and its subsidiaries (HBM Healthcare Investments). The Investment Guidelines may be amended within the limits of the Articles of Association of HBM Healthcare Investments Ltd by its Board of Directors at any time.

# Compensation Report



This Compensation Report for the 2015/2016 financial year sets out the compensation system for, and the compensation paid to, the members of the Board of Directors and the Management of HBM Healthcare Investments Ltd (HBM Healthcare or the Company). The content and scope of the disclosures comply with the regulations set out in the "Ordinance Against Excessive Compensation in Listed Companies (OAEC)", which was passed by the Federal Council, and entered into force on 1 January 2014, and the SIX Swiss Exchange Directive on Corporate Governance (DCG).

### **1. Introductory remarks on the specific structure of HBM Healthcare Investments Ltd as an investment company**

HBM Healthcare is an exchange-listed investment company in the form of a company limited by shares in the sense of Art. 2 para. 3 of the Collective Investment Schemes Act (CISA) and Art. 65 et seqq. of the Listing Rules of SIX Swiss Exchange.

As an investment company, HBM Healthcare invests worldwide, via its subsidiaries, in the human medicine, biotechnology, medical technology, diagnostic sectors and related areas. Investments are focused on Western Europe and the USA, and may be made in both individual private and public companies, as

well as in other investment vehicles specialising in the sectors listed above. The Company does not pursue any commercial or operational activity other than that described here.

As it is common for investment companies, in accordance with Art. 6 para. 2 OAEC and Art. 21 of the Company's Articles of Association, the Board of Directors has transferred asset management to a specialist service provider, HBM Partners Ltd, Zug (Investment Advisor), under the terms of an advisory agreement. As a rule, investment decisions are made by the Board of Directors of HBM Healthcare's subsidiaries. Responsibility for monitoring the Investment Advisor, taking key investment policy decisions, and other inalienable tasks, remains with the Board of Directors of HBM Healthcare. The Investment Advisor manages various collective investment funds which focus on the healthcare sector. As an asset manager of collective investment schemes in accordance with Art. 13 para. 2 f CISA, the Investment Advisor is subject to supervision by the Swiss Financial Market Supervisory Authority FINMA. For details of the advisory agreement, please refer to section 9 of this Compensation Report.

In accordance with Art. 6 OAEC and Art. 21 of the Company's Articles of Association, the Board of Directors has delegated the day-to-day business to the Management, comprising a Chief Executive Officer (CEO) and Chief Financial Officer (CFO), under the terms of the Company's Organisational Regulations.

### **2. Responsibility and authority with regard to compensation**

The Board of Directors is responsible for ensuring that the compensation process is fair and transparent, and subject to effective supervision. The chosen compensation process should serve to provide pay commensurate with the services provided, as well as appropriate incentives to the individual members of the Board of Directors and Management, taking due account of the longer-term interests of the shareholders and the Company's performance. In particular, subject to the approval of the Shareholders' Meeting,

the full Board of Directors determines the following:

- > The principles of the compensation strategy;
- > The level and composition of compensation paid to the Chairman of the Board of Directors, the Vice Chairman and other members of the Board of Directors;
- > The compensation paid to the members of the Committees of the Board of Directors;
- > The level and composition of total and individual compensation paid to the members of Management.

The Compensation Committee supports the Board of Directors with the determination and review of compensation policy and guidelines, as well as performance targets, and with the preparation of proposals to the Shareholders' Meeting concerning the compensation to be paid to the Board of Directors and Management. Consulting external advisors and specific studies at appropriate intervals, the Compensation Committee submits its proposals in this regard to the full Board of Directors for the latter to adopt a resolution.

In addition, the full Board of Directors decides on the conclusion, cancellation or amendment of the contract with the Investment Advisor, and thus in particular also on the level of fees to be paid under that contract.

### 3. Compensation to members of the Board of Directors

#### 3.1 Basis and elements

The compensation paid to members of the Board of Directors depends on the scope of the individual member's activities and the responsibility and functions that they hold (chairmanship of the Board of Directors, vice-chairmanship, membership of the Board of Directors and membership of committees).

Compensation to the Board of Directors is made up of the following elements:

- > Fixed director's fee (cash payment);
- > Board meeting fees (cash payment);
- > Fixed fee for committee membership (cash payment);
- > Variable compensation depending on value growth achieved (cash payment);
- > Social security contributions.

The Board of Directors set the fixed element of its members' compensation as follows for the 2015/2016 reporting year:

<b>Fixed compensation to Board of Directors (in CHF)</b>	<b>2015/2016</b>	<b>2014/2015</b>
Chairman of the Board of Directors	94 000	94 000
Vice Chairman of the Board of Directors	43 000	43 000
Member of the Board of Directors	28 000	28 000
Board meeting fee, per meeting <sup>1)</sup>		
– Chairman	4 000	4 000
– Members	3 000	3 000
Member of the Audit Committee	30 000	30 000
Member of the Compensation Committee	10 000	10 000
Member of the Nominating Committee	0	0

1) As a rule, the Board of Directors holds four regular meetings per year.

The variable compensation paid to the Board of Directors is based on the increase in the Company's net asset value that has been achieved, in accordance with the same principles that apply to the performance fee that is due to the Investment Advisor under the advisory agreement (for further information on this and what follows here, please see section 9 below). Each member of the Board of Directors is entitled to a cash payment corresponding to one percent of the amount of the performance fee owed by HBM Healthcare to the Investment Advisor. The entitlement of newly elected members of the Board of Directors is 0.33 percent in the first year, 0.67 percent in the second year, and one percent from the third year onwards.

The performance fee paid to the Investment Advisor is reduced by the gross amount of the variable compensation paid to the members of the Board of Directors, so that total gross performance-related



fees and compensation for both the Board of Directors and the Investment Advisor do not exceed 15 per cent of the increase in value that has been achieved.

The fixed director's and board meeting fees reflect the time commitment and responsibility of the individual members of the Board. The variable component of compensation, which depends on increase in value, ensures that the Board of Directors maintains a focus on the long-term success of the Company.

As a rule, the full Board of Directors decides once a year on the level of fixed fees to be paid on the basis of a proposal from the Compensation Committee. It also decides once a year, on the basis of the increase in value that has been achieved, on what variable compensation is to be paid out. All of these decisions are subject to the approval of the Shareholders' Meeting.

### 3.2 Compensation paid to the individual members of the Board of Directors during the reporting year

During the 2015/2016 reporting period, the six members of the Board of Directors together received compensation totalling CHF 430,681 (previous year: CHF 3,531,744). Of this figure, CHF 415,000 (previous year: CHF 409,000) was paid out in the form of fixed directors' fees and board meeting fees for service on the Board of Directors and on the Board Committees.

No variable, performance-related compensation was paid during the reporting year (previous year: CHF 3,024,000). Social security contributions totalled CHF 15,681 (previous year: CHF 98,744).

The individual members of the Board of Directors received the following compensation:

Compensation to Board of Directors 2015/2016 financial year (in CHF)	Committee <sup>1)</sup>			Period	Fixed fee	Meeting fee	Committee fee	Variable compensation	Social security contributions & duties	Total
	AC	CC	NC							
Hans Peter Hasler, Chairman		x		1.4.15–31.3.16	94,000	16,000	10,000	0	0	120,000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			1.4.15–31.3.16	43,000	12,000	30,000	0	11,380	96,380
Mario G. Giuliani, Member		x		1.4.15–31.3.16	28,000	12,000	10,000	0	3,112	53,112
Dr Eduard E. Holdener, Member				1.4.15–31.3.16	28,000	12,000	0	0	1,189	41,189
Robert A. Ingram, Member		x	x	1.4.15–31.3.16	28,000	12,000	10,000	0	0	50,000
Dr Rudolf Lanz, Member		x	x	1.4.15–31.3.16	28,000	12,000	30,000	0	0	70,000
<b>Total Board of Directors</b>					<b>249,000</b>	<b>76,000</b>	<b>90,000</b>	<b>0</b>	<b>15,681</b>	<b>430,681</b>

1) AC: Audit Committee / CC: Compensation Committee / NC: Nominating Committee

Compensation to Board of Directors 2014/2015 financial year (in CHF)	Committee <sup>1)</sup>			Period	Fixed fee	Meeting fee	Committee fee	Variable compensation	Social security contributions & duties	Total
	AC	CC	NC							
Hans Peter Hasler, Chairman		x		1.4.14–31.3.15	94,000	16,000	10,000	504,000	0	624,000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			1.4.14–31.3.15	43,000	12,000	30,000	504,000	36,968	625,968
Mario G. Giuliani, Member		x		1.4.14–31.3.15	28,000	12,000	10,000	504,000	34,625	588,625
Dr Eduard E. Holdener, Member				1.4.14–31.3.15	28,000	12,000	0	504,000	27,151	571,151
Robert A. Ingram, Member		x	x	1.4.14–31.3.15	28,000	6,000	10,000	504,000	0	548,000
Dr Rudolf Lanz, Member		x	x	1.4.14–31.3.15	28,000	12,000	30,000	504,000	0	574,000
<b>Total Board of Directors</b>					<b>249,000</b>	<b>70,000</b>	<b>90,000</b>	<b>3,024,000</b>	<b>98,744</b>	<b>3,531,744</b>

1) AC: Audit Committee / CC: Compensation Committee / NC: Nominating Committee

## 4. Compensation to members of Management

### 4.1 Basis

Where they are not delegated to the Investment Advisor under the terms of the advisory agreement, the Board of Directors has delegated day-to-day operational tasks to the Management. In the reporting year, the Management comprised a Chief Executive Officer (CEO) and a Chief Financial Officer (CFO), both of whom are employed in the same roles at the Investment Advisor. Their relationship of employment with HBM Healthcare is governed by a separate employment contract, and covers 40 per cent of the standard working week in each case.

The members of Management are compensated according to the scope of their activities and their individual roles. This compensation comprises the following elements:

- > Fixed salary (cash payment);
- > Social security contributions.

As a rule, the full Board of Directors decides once a year on the level of compensation to be paid, on the basis of a proposal from the Compensation

Committee. Any adjustments to the fixed salary are made effective 1 July, within the total amount approved in advance by the Shareholders' Meeting.

The two members of Management are also in a relationship of employment with the Investment Advisor. The Chief Executive Officer (CEO) participates as minority shareholder in the Investment Advisor and the Chief Financial Officer (CFO) benefits from a profit-participating plan.

### 4.2 Total compensation paid to members of Management in the reporting year

During the 2015/2016 reporting period, the two members of Management together received compensation totalling CHF 293,304 (previous year: CHF 289,116). Of this figure, CHF 272,000 (previous year: CHF 268,120) was paid out in the form of fixed salaries. Social security contributions totalled CHF 21,304 (previous year: CHF 20,996).

The members of Management received the following compensation:

<b>Compensation to Management 2015/2016 financial year (in CHF)</b>					
	Period	Working hours	Fixed salary	Social security contributions	Total
Dr Andreas Wicki, CEO	1.4.2015-31.3.2016	40%	160,000	12,461	172,461
Other member of Management	1.4.2015-31.3.2016	40%	112,000	8,843	120,843
<b>Total Management</b>			<b>272,000</b>	<b>21,304</b>	<b>293,304</b>

<b>Compensation to Management 2014/2015 financial year (in CHF)</b>					
	Period	Working hours	Fixed salary	Social security contributions	Total
Dr Andreas Wicki, CEO	1.4.2014-31.3.2015	40%	157,527	12,258	169,784
Other member of Management	1.4.2014-31.3.2015	40%	110,593	8,738	119,331
<b>Total Management</b>			<b>268,120</b>	<b>20,996</b>	<b>289,116</b>

## 5. Loans and credits to members of the Board of Directors and Management

As at 31 March 2016, there were no loans or credits outstanding which HBM Healthcare had granted to current or former members of the Board of Directors or Management, or persons related to them (previous year: none).

## 6. Compensation to related parties on non-market terms

During the 2015/2016 reporting year, the Company did not pay any compensation to related parties which did not conform to normal market terms (previous year: none).

## 7. Compensation to former members of the Board of Directors and Management

No payments were made to former members of the Board of Directors or Management during the 2015/2016 reporting year (previous year: none).

## 8. Contractual conditions upon leaving HBM Healthcare

No member of the Board of Directors or Management has a contract with HBM Healthcare which grants them severance pay should they leave the Company.

## 9. Advisory agreements

The subsidiary HBM Healthcare Investments (Cayman) Ltd has entered into an advisory agreement with HBM Partners, Zug (Investment Advisor), under which the Investment Advisor will provide asset management and other defined services to HBM Healthcare, specifically identifying and evaluating investment opportunities, coordinating and conducting due diligence and contractual negotiations in respect of investments, supporting portfolio companies, monitoring portfolio holdings, and evaluating potential exit strategies, as well as bookkeeping and financial reporting. Investment decisions are not delegated to the Investment Advisor with the exception of the management of a discretionary portfolio of equities in public companies, the monetary size of which is limited, and which must be managed according to guidelines defined by HBM Healthcare. The advisory

agreement runs at least until 30 June 2017, and is automatically extended by twelve months in each case if it is not terminated by notice. Any notice of termination must be served at least twelve months before the end of the contract term.

The compensation paid to the Investment Advisor is determined by the advisory agreement, and comprises a fixed management fee, as well as a performance-related component.

The fixed management fee is 0.75 percent per year of the Company's assets, plus 0.75 percent per year of its market capitalisation, payable quarterly at the beginning of the quarter. Company assets are calculated from the consolidated shareholders' equity reported as at the end of the previous quarter, plus borrowed capital, and the Company's holdings of its own saleable shares, valued at market prices. Market capitalisation corresponds to the market value of the Company on SIX Swiss Exchange, less the Company's holdings of its own shares acquired as part of a share buy-back programme in order to reduce its capital.

HBM Healthcare has agreed with the Investment Advisor that no management fees will be owed for the entire term of the two bond tranches of CHF 50 million each issued in July 2015.

The management fee paid to the Investment Advisor for the 2015/2016 financial year came to CHF 13.7 million (previous year: CHF 12.4 million).

The performance fee paid to the Investment Advisor amounts to 15 percent of the value growth achieved over and above the high water mark. The determining high water mark is that which was applied to the payment of the most recent performance fee, adjusted for any dividend payments or capital repayments that have been made to shareholders in the interim. The performance fee is calculated on an annual basis on the net asset value reported on the reporting date, and the number of shares outstanding (excluding treasury shares). It is paid out at the end

of the financial year providing value growth has exceeded the high water mark by more than five percent.

The performance fee paid to the Investment Advisor is reduced by the gross amount of the variable compensation paid to the members of the Board of Directors, so that total performance-related fees and compensation for both the Board of Directors and the Investment Advisor do not exceed 15 percent of the increase in value.

The net asset value per share before provision for the performance fee, i.e. the relevant figure for the calculation of the performance fee for the 2015/2016 financial year, stood at CHF 140.23, below the high water mark of CHF 141.70. This means that no performance-related fee is due to the Investment Advisor for the 2015/2016 financial year and the high water mark for all outstanding shares remains at CHF 141.70 (adjusted for any dividend payments or capital repayments made to shareholders).

If HBM Healthcare terminates the agreement by regular notice (i.e. not applying the default provisions) the Investment Advisor will continue to be eligible to participate, for a defined period, in the value growth achieved on certain existing holdings: for all holdings in private companies, for five years following termination of the agreement, such participation being ten percent of the difference between the sale proceeds and the reported book value, or acquisition cost if higher, at the time the agreement is terminated; for all holdings in public companies which are subject to restrictions on sale, for twelve months following termination of the agreement, such participation being ten percent of the difference between the market value of the holding upon expiry of the sale restriction and the reported book value, or acquisition cost if higher, at the time the agreement is terminated.

## 10. Rules under the Articles of Association

### 10.1 Rules under the Articles of Association concerning certain components of compensation

Under the Articles of Association, members of the Board of Directors and Management may be paid variable compensation that is determined by the achievement of certain performance objectives. Such performance objectives may be personal, corporate and division-specific, or objectives set relative to the market, to other companies or to comparable benchmarks, taking into account the function and level of responsibility of the recipient of such variable compensation. The compensation may take the form of cash, shares, options, comparable instruments or units, payment in kind, or services.

The Board of Directors or the Compensation Committee determines the weighting of performance targets, the individual target values, the terms of allocation and exercise, as well as exercise periods and any retention periods, and the terms that apply at maturity. It may provide that, should certain pre-determined events take place, such as a change of control or the termination of an employment or mandate relationship, exercise terms and periods and holding periods may be shortened or cancelled, compensation may be paid on the assumption that target figures have been reached, or that compensation already paid out is forfeited.

Where an individual joins Management, or is promoted within Management, after compensation has been approved by the Shareholders' Meeting, the Board of Directors may approve an additional amount if the compensation that has been approved is not sufficient to cover the compensation to this individual. For each compensation period and member this additional amount may not exceed 60 percent of the most recently approved total maximum amounts for fixed and variable compensation to Management.

### **10.2 Rules under the Articles of Association concerning loans, credits and pension benefits**

Under the Articles of Association, loans to members of the Board of Directors and Management may be granted on market terms only and may not exceed the amount of one year's compensation for each member. No pension benefits may be paid outside of occupational pension schemes.

### **10.3 Rules under the Articles of Association concerning the Shareholders' Meeting vote on compensation**

Under the Articles of Association, the Shareholders' Meeting must approve each of the proposals of the Board of Directors that concern total amounts

- > of the maximum fixed part of compensation to members of the Board of Directors for the period up to the next ordinary Shareholders' Meeting;
- > of the variable part of compensation to members of the Board of Directors for the financial year just ended;
- > of the maximum fixed part of compensation to members of Management for the period from 1 July of the current calendar year to 30 June of the following calendar year;
- > of the variable part of compensation to members of Management for the financial year just ended.

The Board of Directors may submit alternative and additional proposals with regard to the same or other time periods to the Shareholders' Meeting. Should the Shareholders' Meeting reject one of the proposals of the Board of Directors, the Board of Directors shall consider all of the relevant circumstances and set a corresponding maximum amount or several maximum sub-amounts, and must submit this (or these) to the Shareholders' Meeting for approval. Subject to its retroactive approval, HBM Healthcare may pay out compensation prior to its approval by the Shareholders' Meeting.

To the General Meeting of  
**HBM Healthcare Investments Ltd, Zug**

Zurich, 17 May 2016

## **Report of the statutory auditor on the remuneration report**

We have audited the remuneration report of HBM Healthcare Investments Ltd for the year ended 31 March 2016. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables of section 3.2 and 4.2 as well as sections 5 to 8 of the remuneration report.

### **Responsibility of the Board of Directors**

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 - 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 - 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

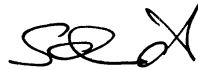
## Opinion

In our opinion, the remuneration report for the year ended 31 March 2016 of HBM Healthcare Investments Ltd. complies with Swiss law and articles 14 - 16 of the Ordinance.

Ernst & Young Ltd

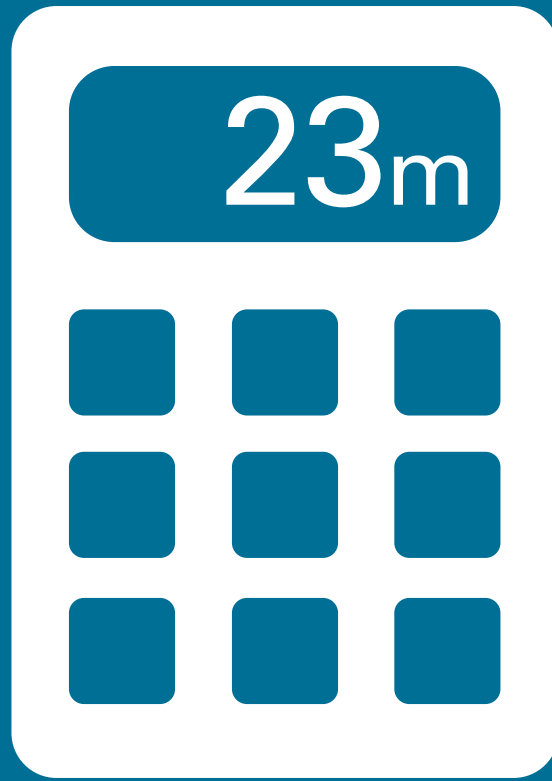


**Martin Mattes**  
Licensed audit expert  
(Auditor in charge)



**Jörg Schmidt**  
Licensed audit expert

# Financial Report





Consolidated balance sheet (CHF 000)	Notes	31.3.2016	31.3.2015
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		104,823	140,381
Receivables		209	186
Financial instruments	(3)	10,005	0
<b>Total current assets</b>		<b>115,037</b>	<b>140,567</b>
<b>Non-current assets</b>			
Financial instruments	(3)	0	15,840
Investments	(4)	976,575	1,021,529
Other financial assets	(6)	31,050	13,244
<b>Total non-current assets</b>		<b>1,007,625</b>	<b>1,050,613</b>
<b>Total assets</b>		<b>1,122,662</b>	<b>1,191,180</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial instruments		0	63,470
Provisions	(10)	0	50,414
Other liabilities		3,821	3,107
<b>Total current liabilities</b>		<b>3,821</b>	<b>116,991</b>
<b>Non-current liabilities</b>			
Financial liabilities	(7)	98,908	0
<b>Total non-current liabilities</b>		<b>98,908</b>	<b>0</b>
<b>Shareholders' equity</b>			
Share capital	(8)	450,450	468,029
Treasury shares	(8)	-41,698	-33,744
Capital reserve	(8)	293,758	345,570
Retained earnings		317,423	294,334
<b>Total shareholders' equity</b>		<b>1,019,933</b>	<b>1,074,189</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,122,662</b>	<b>1,191,180</b>
Number of outstanding shares (in 000)		7,273	7,640
Net asset value (NAV) per share (CHF)		140.23	140.60

**Consolidated statement of comprehensive income  
for the financial year ended 31 March (CHF 000)**

	Notes	2015/2016	2014/2015
Net result on investments	(4)	50,145	311,522
Dividend income		36	105
Result from currency hedging transactions	(3)	-14,592	15,840
Result from market hedging transactions	(3)	1,436	-18,659
Gains from other financial instruments		2,711	10,469
Losses from other financial instruments		-650	-431
Gains on other financial assets		4,806	4,655
Losses on other financial assets		-2,215	-3,260
<b>Result from investment activities</b>		<b>41,677</b>	<b>320,241</b>
Management fee	(10)	-13,663	-12,448
Performance fee	(10)	0	-46,607
Personnel expenses	(11)	-1,635	-1,827
Other operating expenses		-1,206	-1,569
<b>Result before interest and taxes</b>		<b>25,173</b>	<b>257,790</b>
Financial expenses	(7)	-2,110	-284
Financial income		26	5
Income taxes		0	0
<b>Net result for the year</b>		<b>23,089</b>	<b>257,511</b>
<b>Comprehensive result</b>		<b>23,089</b>	<b>257,511</b>
Number of outstanding shares, time-weighted (in 000)		7,550	7,930
Basic earnings per share (CHF)		3.06	32.47

As the Company does not have options or similar instruments outstanding, diluted earnings per share are identical to basic earnings per share.

**Consolidated statement of cash flows  
for the financial year ended 31 March (CHF 000)**

	2015/2016	2014/2015
Management fee paid	-13,663	-12,448
Performance fee for previous year paid	-50,414	0
Other expenses paid (personnel and other operating expenses)	-2,987	-3,150
<b>Net cash flow from operating activities</b>	<b>-67,064</b>	<b>-15,598</b>
Interest payments received	26	5
Dividend payments received	36	105
Purchase of investments	-395,946	-323,262
Sale of investments	476,534	461,659
Payments received from escrow amounts and milestones	0	13,671
Cash flow from financial instruments for currency hedging	-8,757	0
Purchase of financial instruments for market hedging	-86,078	-12,697
Sale of financial instruments for market hedging	24,044	57,508
Purchase of other financial instruments	-1,010	-13,570
Sale of other financial instruments	3,071	24,039
<b>Net cash flow from investing activities</b>	<b>11,920</b>	<b>207,458</b>
Interest payments paid	-365	-284
Cash distribution from capital reserve	-42,273	-23,588
Issuance of financial liabilities	98,790	0
Purchase of treasury shares	-65,882	-96,297
Sale of treasury shares	30,023	17,397
Sale of put-options from share buy-back programme	0	148
<b>Net cash flow from financing activities</b>	<b>20,293</b>	<b>-102,624</b>
<b>Currency translation differences</b>	<b>-707</b>	<b>4,655</b>
<b>Net change in cash and cash equivalents</b>	<b>-35,558</b>	<b>93,891</b>
Cash and cash equivalents at beginning of period	140,381	46,490
Cash and cash equivalents at end of period	104,823	140,381

<b>Consolidated statement of changes in equity (CHF 000)</b>	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
<b>Balance as at 31 March 2014</b>	<b>520,650</b>	<b>-27,934</b>	<b>390,797</b>	<b>36,823</b>	<b>920,336</b>
Comprehensive result				257,511	257,511
Purchase of treasury shares		-97,615			-97,615
Sale of treasury shares		12,819	4,726		17,545
Distribution from capital reserve (27.6.2014)			-23,588		-23,588
Capital reduction (26.8.2014)	-52,621	78,986	-26,365		0
<b>Balance as at 31 March 2015</b>	<b>468,029</b>	<b>-33,744</b>	<b>345,570</b>	<b>294,334</b>	<b>1,074,189</b>
Comprehensive result				23,089	23,089
Purchase of treasury shares		-65,095			-65,095
Sale of treasury shares		26,998	3,025		30,023
Distribution from capital reserve (6.7.2015)			-42,273		-42,273
Capital reduction (9.9.2015)	-17,579	30,143	-12,564		0
<b>Balance as at 31 March 2016</b>	<b>450,450</b>	<b>-41,698</b>	<b>293,758</b>	<b>317,423</b>	<b>1,019,933</b>

## 1. Information about the Company and its business

HBM Healthcare Investments Ltd (HBM Healthcare or the Company) is a SIX Swiss Exchange-listed holding company domiciled at Bundesplatz 1, Zug (Switzerland). The purpose of the Company is the acquisition, holding and sale of positions in other companies as well as the management and financing of such positions in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas.

## 2. Accounting policies

The significant accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below.

### 2.1 Basis of preparation – Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), and the provisions of the Listing Rules of SIX Swiss Exchange that apply to investment companies. They are presented in Swiss francs (CHF).

The preparation of the Consolidated Financial Statements is based on the acquisition cost principle with the exception of financial instruments and investments (note 2.6) and other financial assets (note 2.7), which are carried at fair value through profit and loss in the annual financial statements.

With the exception of the new and revised standards and interpretations listed in note 2.15, the same accounting policies and valuation principles as in the previous year have been applied in the preparation of these financial statements.

### Significant accounting judgements, estimates and assumptions

The preparation of the Consolidated Financial Statements requires Management to make estimates which affect reported earnings, expenditure, assets, liabilities and investment commitments as at the balance sheet date. Should the estimates made by Management to the best of their knowledge at the balance sheet date subsequently be shown to differ from actual circumstances, the original estimates are adjusted accordingly during the reporting year in which circumstances changed. A degree of uncertainty is attached specifically to estimating individual fair values for private companies and funds (note 2.6) as well as for contractual claims on the sale proceeds of portfolio companies (note 2.7).

The subsidiaries listed in note 2.2 are holding company interests and provide investment management services for the group. They are therefore fully consolidated in accordance with IFRS 10.

### 2.2 Scope of consolidation

The scope of consolidation comprises the holding company HBM Healthcare Investments Ltd, Bundesplatz 1, Zug, Switzerland, which is listed on SIX Swiss Exchange, and the following fully consolidated subsidiaries:

Subsidiary	Objective	Ownership 31.3.2016	Ownership 31.3.2015
HBM Healthcare Investments (Cayman) Ltd., Cayman Islands	Holding of company interests	100%	100%
HBM Biomedicine (Cayman) Ltd., Cayman Islands <sup>1)</sup>	Holding of company interests	100%	100%
HBM Private Equity India, Republic of Mauritius	Holding of company interests	100%	100%

1) The company is currently in liquidation.

All subsidiaries are wholly owned either directly or indirectly. Intra-group transactions have been eliminated.

Shareholdings in associated companies are valued, in accordance with the exception provision for investment companies under IAS 39, at fair value and are reported as investments. Associated companies are understood as shareholdings in companies over which HBM Healthcare exerts a significant influence, but does not have a controlling interest (shareholdings of between 20 and 50 percent of voting rights). Please refer to note 5 "HBM BioCapital" concerning the recognition of the holdings in HBM BioCapital (EUR) L.P. (equity interest of 44.7 percent) and HBM BioCapital (USD) L.P. (equity interest of 79.1 percent) under "Investments".

Controlling interests that are held for investment purposes (currently Tensys Medical Inc.) are carried at fair value under IAS 39, in accordance with the consolidation exemption set out in IFRS 10.

### 2.3 Foreign currencies

The functional currency for the Company and for all subsidiaries is the Swiss franc (CHF).

Transactions in foreign currencies are booked at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted into Swiss francs at the exchange rates prevailing on the balance sheet date. The resulting foreign currency gains or losses are booked to the statement of comprehensive income. The Company does not hold any non-monetary assets.

The following exchange rates were used in the preparation of the financial statements:

(CHF)	31.3.2016	31.3.2015
DKK	0.1469	0.1397
EUR	1.0945	1.0438
GBP	1.3811	1.4413
INR	0.0145	0.0156
SEK	0.1185	0.1127
USD	0.9618	0.9727

### 2.4 Cash and cash equivalents

Cash and cash equivalents comprise assets which can be converted into amounts of legal tender within 90 days of the original transaction, i.e. cash on hand or at bank, and fixed-term deposits

### 2.5 Receivables

Receivables comprise escrow amounts from the sale of portfolio companies, and other credit balances. They are valued at their amortised cost, which generally corresponds to their nominal value less necessary valuation adjustments. The appropriateness of such valuation adjustments is reviewed regularly and adjustments are made in the period in which the underlying conditions are changed. Receivables are non-derivative financial assets whose fair value is approximate to their book value, and which become due for payment within 12 months.

## 2.6 Financial instruments and investments

In the Consolidated Financial Statements, derivative financial instruments are referred to as "Financial Instruments", while other financial assets such as equity positions in and convertible bonds issued by portfolio companies are referred to as "Investments". These financial assets are classified as fair value through profit and loss, in line with the Company's risk management and investment strategy. They are recognised at fair value which, in general, corresponds to the purchase price. After initial recognition, all financial assets are measured at fair value through profit and loss. All gains or losses arising from an adjustment to the fair value of such assets are recognised in the statement of comprehensive income in the period in which they arise.

Sales of financial instruments and investments are booked out at the anticipated sale proceeds on the date of sale. Claims to escrow amounts or performance-related milestone payments, which result in cash flows only at a later date, are carried under "Receivables" (note 2.5) or "Other financial assets" (note 2.7).

## Trade date accounting

All purchases and sales of financial instruments and investments are recognised on the trade date, i.e. on the date on which a group company commits to purchasing or selling the asset in question. Regular purchases and sales are purchases and sales of financial assets that require the latter's delivery within a time frame laid down by law or by the conventions of the marketplace.

## Derivative financial instruments

HBM Healthcare buys and sells derivative financial instruments in the course of its ordinary business activities and as part of its risk management. These instruments include the short selling of index funds and ETFs via securities lending for hedging purposes as well as futures and options on foreign currencies, indices and securities.

Derivative financial instruments are held for trading purposes and are reported at fair value through profit and loss. They are presented in the balance sheet under "Financial Instruments" and are measured at fair value. For listed derivatives, fair value equals market value, which is determined by the market price as of the balance sheet date. The fair value of unlisted derivatives is determined using customary market methods. Derivatives acquired in combination with an investment in a private company are reported together with the fair value of the related investment.

## Investments

All investments are recognised at fair value through profit and loss which, in general, corresponds to the purchase price. After initial recognition, all financial assets are measured at fair value. The fair value of investments in private companies is determined using the "International Private Equity and Venture Capital Valuation Guidelines (IPEV)". For this purpose, the acquisition cost in the investment currency is used as the best approximation of the fair value of the private company in question, except where

- > the company has been valued higher or lower in connection with a new round of financing with a third party (except with a strategic investor), in which case the company is valued according to the new financing round, whereby the various shareholder categories rights are taken into account in the valuation;
- > the company is performing significantly below expectations or is facing long-term problems, leading to a permanent diminution in value, in which case the relevant position is written off in intervals of 25, 50, 75, or 100 percent, or revalued at its net realisable value;
- > the company is generating significant sales and profits, in which case an appropriate price/sales or price/earnings multiple is applied ("sales and earnings multiple method").

The fair values of private companies are reviewed regularly for a possible diminution in value. Funds are valued based on the net asset value of the fund in question. The fair values of private companies and funds are determined by Management on the basis of the "International Private Equity and Venture Capital Valuation Guidelines (IPEV)" and approved by the Board of Directors. Given the uncertainty inherent in valuing such investments in general, the reported fair values may differ from the values that might

have been used had an active market existed for the investments. This difference may be material in the case of certain individual investments. For investments in public companies, the fair value is determined by the market price on the balance sheet date.

## 2.7 Other financial assets

Other financial assets comprise of contractual claims on the sale proceeds of portfolio companies that are tied to the achievement of predefined objectives (milestone payments). These claims are carried in the annual financial statements at fair value, which is determined by the expected risk-weighted and discounted payments. The risk-weighted approach is based on the assessment of the probability of occurrence of certain future events, referring to commonly used industry statistics as well as own guidelines and estimates.

## 2.8 Financial liabilities

Financial liabilities are initially recognised at their acquisition value, i.e. the proceeds received once transaction costs have been deducted. They are subsequently carried at amortised cost using the effective interest method. Any discount, corresponding to the difference between the net proceeds received and the nominal value repayable upon maturity, is amortised over the term of the financial liability and charged to financial expenses.

## 2.9 Provisions

Provisions are made where HBM Healthcare has a legal or actual obligation in the future arising from an event in the past, where the fulfilment of this obligation is likely to result in an outflow of funds of which a reliable estimate can be made, and its anticipated financial value exceeds the value of the asset encumbered with the obligation.

## 2.10 Treasury shares

Treasury shares held by HBM Healthcare are reported as deductions from shareholders' equity. Purchasing costs, proceeds from onward sales and other transactions in treasury shares are reported as changes in shareholders' equity.

## 2.11 Result from investment activities

Changes in the value of individual investments in the financial year (including currency effects) are recorded in the statement of comprehensive income as "Net result on investments". The "Realised gains or losses on investments" disclosed in note 4 are calculated as the difference between the sale proceeds of an investment and the capital invested. Unrealised gains and losses recorded in previous years on investments that have been sold are eliminated and, together with the value adjustments on investment holdings for the current fiscal year, are reported under "Changes in unrealised gains and losses". Earnings from derivative financial instruments are recorded in the statement of comprehensive income as "Gains and losses from other financial instruments", as "Result from currency hedging transactions" or as "Result from market hedging transactions". The "Gains and losses on other financial assets" items in the statement of comprehensive income include changes in value (including currency effects) on receivables in escrow accounts, contractual claims arising from the sale of portfolio companies, which are presented under "Other financial assets", as well as foreign currency gains and losses on cash and cash equivalents.

## 2.12 Income taxes

Income taxes comprise both current and deferred taxation. Current income taxes are made up of the tax owed in individual countries on the basis of local fiscal regulations and taxable income, calculated at the tax rates valid on the balance sheet date.

Deferred taxes are created using the balance sheet liability method. This takes into account the tax implications of temporary valuation differences between the book value of an asset or a liability in the Consolidated Financial Statements, and its tax base at the balance sheet date. Calculations are based on the rate of tax that is expected to apply when the tax liability is incurred. Valuation adjustments are created to reduce deferred tax credits if it is unlikely that tax credits will be realised.

## 2.13 Net asset value and earnings per share

The net asset value per share (NAV) is calculated from the consolidated shareholders' equity reported as at the balance sheet date, divided by the number of shares outstanding on that date.

Earnings per share are calculated by dividing the consolidated net result for the year that is due to shareholders by the time-weighted average number of shares in circulation during the same period.

Diluted earnings per share are calculated by dividing the consolidated net result for the year that is due to shareholders by the time-weighted average number of shares in circulation during the same period, adjusted for costs and the potential issue of new shares in connection with outstanding convertible bonds, share options and similar instruments.



## 2.14 Segment reporting

HBM Healthcare's business activities are limited to the acquisition, holding and sale of investments in companies in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas. The Consolidated Financial Statements therefore correspond to the segment reporting format.

## 2.15 Changes to accounting policies

During the reporting year no new or revised standards and interpretations, applicable to the Group, were entered into force.

The following new and revised standards and interpretations, which could be relevant for the group, are only applicable to future financial years and have not been applied ahead of schedule in the present financial statements. The implications for HBM Healthcare's Consolidated Financial Statements are currently still being reviewed. Based on a preliminary analysis, no significant impact is expected.

Standard and interpretation	Effective date	Application planned
<b>IFRS 7</b>		
Financial instruments: Disclosure – Additional disclosures on transition from IAS 39 to IFRS 9	1.1.2018	2018/2019
<b>IFRS 9</b>		
Financial instruments: Classification and measurement	1.1.2018	2018/2019
<b>IFRS 10 (revised)</b>		
Consolidated financial statements: Investment entities – Applying the consolidation exception	1.1.2016	2016/2017
<b>IFRS 11 (revised)</b>		
Joint arrangements: Accounting for acquisitions of interests in joint operations	1.1.2016	2016/2017
<b>IFRS 12 (revised)</b>		
Disclosure of interests in other entities: Investment entities – Applying the consolidation exception	1.1.2016	2016/2017
<b>IAS 27 (revised)</b>		
Consolidated and separate financial statements: Separate financial statements (equity method)	1.1.2016	2016/2017
<b>IAS 28 (revised)</b>		
Investments in associates: Investment entities – Applying the consolidation exception	1.1.2016	2016/2017

The amended IFRS 10 standard requires an investment entity to measure its subsidiaries that are investment entities at fair value rather than to consolidate such subsidiaries. Significant judgment is required to assess whether the subsidiaries disclosed in note 2.2 meet all of the characteristics of an investment entity and hence exemption from consolidation applies. At present, the Group believes there is scope to continue to prepare consolidated financial statements. However, further in-depth analysis is ongoing.

## 3. Financial instruments

In the 2014/2015 financial year, the Company hedged its euro-currency risk with a forward sale of EUR 100 million, with settlement date 11 July 2016, at a price of EUR/CHF 1.19. The value of the balance sheet item is based on the closed hedge, which will be settled effective 11 July 2016.

In addition, on 6 May 2015 the Company made a forward sale of GBP 85 million with a value date of 15 December 2015, at a GBP/CHF exchange rate of 1.39. The hedge has been closed out and settled. During the 2015/2016 financial year, currency hedging transactions resulted in a loss of CHF 14.6 million (previous year: gain of CHF 15.8 million).

To hedge general market risks, 190,000 iShares NASDAQ Biotechnology ETFs, amounting to USD 59.8 million, were sold short in the 2014/2015 financial year. The hedge was closed out in August 2015. In January 2016, HBM Healthcare made a short sale of 400,000 SPDR S&P Biotech ETFs, which holds a portfolio of smaller US biotech companies, for USD 24.1 million. The position was closed that same month. In the 2015/2016 financial year these market hedging transactions resulted in a gain of CHF 1.4 million (previous year: loss of CHF 18.6 million).

## 4. Investments

Private companies	Domicile	Investment currency	Amount	Changes in	Amount	Fair value	Ownership	Fair value	Fair value
			disbursed as at 31.3.2015	reporting period	disbursed as at 31.3.2016	as at 31.3.2016		as at 31.3.2016	as at 31.3.2015
		IC	IC m	IC m	IC m	IC m	%	CHF 000	CHF 000
Cathay Industrial Biotech	CH	USD	28.0		28.0	43.9	9.5	42,175	13,618
Tensys Medical <sup>1)</sup>	US	USD	15.7	2.8	18.5	18.5	99.6	17,745	15,223
Westmed Holding	US	USD	7.0		7.0	12.4	21.9	11,959	6,666
ObsEva	CH	CHF	0.0	10.0	10.0	10.0	8.0	10,000	0
ARMO BioSciences	US	USD	0.0	10.0	10.0	10.0	4.4	9,618	0
Vascular Dynamics	US	USD	4.0	4.0	8.0	8.0	15.8	7,694	3,891
Iconic Therapeutics	US	USD	0.0	7.5	7.5	7.5	7.8	7,214	0
AnaptysBio	US	USD	0.0	7.0	7.0	7.0	5.6	6,733	0
Interventional Spine	US	USD	18.0		18.0	5.9	33.1	5,662	5,726
Kolltan <sup>2)</sup>	US	USD	4.6		4.6	5.0	2.8	4,802	4,856
SAI Life Sciences	IN	INR	0.0	256.4	256.4	256.4	6.3	3,722	0
MiCardia <sup>2)</sup>	US	USD	5.4		5.4	1.5	18.4	1,414	5,720
Medimpulse Holding <sup>3)</sup>	CH	USD	4.4		4.4	0.0	20.7	0	8,068
Ellipse Technologies <sup>4)</sup>	US	USD	8.6	-8.6	0.0	0.0	0.0	0	17,642
Other investments								12,359	11,549
<b>Total private companies</b>								<b>141,097</b>	<b>92,959</b>

1) A lender of Tensys Medical Inc. has a conversion right for 30 % of the total outstanding shares of Tensys Medical Inc. following conversion.

2) As explained in note 5 to the Consolidated Financial Statements, this investment was made partly or wholly through HBM BioCapital I. Pro-rata fees charged by HBM BioCapital I are

reimbursed in full to HBM Healthcare so that fees are not levied twice.

3) This investment was written off in full during the reporting period.

4) This investment was sold during the reporting period.

Funds	Investment currency	Total commitment	Payments	Repayments	Cumulative payments	Cumulative repayments	Fair value	Fair value	Fair value
			in reporting period	in reporting period	as at 31.3.2016	as at 31.3.2016	as at 31.3.2016	as at 31.3.2016	as at 31.3.2015
	IC	IC m	IC m	IC m	IC m	IC m	IC m	CHF 000	CHF 000
MedFocus Fund II	USD	16.0			16.0	0.0	34.3	32,980	18,282
HBM BioCapital II <sup>1)</sup>	EUR	42.0	5.1		28.8	0.0	29.2	31,921	22,303
Nordic Biotech	DKK	31.0			31.0	11.8	197.7	29,034	44,296
BioMedInvest I	CHF	26.0		7.4	26.0	21.5	10.8	10,764	18,980
Galen Partners V	USD	10.0		1.4	9.6	1.4	11.0	10,561	11,280
Hatteras Venture Partners III	USD	10.0	0.4		9.5	2.0	9.5	9,167	9,025
BioMedInvest II	CHF	10.0			8.0	0.8	7.9	7,860	7,740
WuXi Healthcare Ventures II	USD	20.0	7.2		7.2	0.0	7.1	6,870	0
BioVeda China	USD	8.5			8.5	27.2	6.0	5,771	1,934
HBM Genomics	USD	15.0	2.6		3.9	0.0	3.4	3,285	1,128
Tata Capital HBM Fund I	USD	10.0	2.3		3.8	0.0	3.2	3,085	863
Other investments								7,132	10,156
<b>Total funds</b>								<b>158,430</b>	<b>145,987</b>

1) The fair value of EUR 29.2 million takes into account the fund's cumulative management fees of EUR 3.5 million. As explained in note 5 to the Consolidated Financial Statements, this amount has

been reimbursed in full to HBM Healthcare so that fees are not levied twice.

Public companies	Domicile	Investment currency	Number of	Changes in	Number of	Ownership	Fair value	Fair value
			shares as at 31.3.2015	reporting period	shares as at 31.3.2016		as at 31.3.2016	as at 31.3.2015
		IC	IC m	Number of shares	IC m	%	CHF 000	CHF 000
Skyepharma <sup>1)</sup>	UK	GBP	29,641,522	206,575	29,848,097	28.5	181,951	131,589
Advanced Accelerator Applications <sup>2) P)</sup>	FR	USD	2,500,000	992,611	3,492,611	9.1	117,639	26,095
Pacira Pharmaceuticals <sup>P)</sup>	US	USD	1,100,000	0	1,100,000	3.0	56,052	95,067
Genmab	DK	DKK	309,000	-6,500	302,500	0.5	40,324	22,578
Incyte	US	USD	111,500	304,500	416,000	0.2	28,996	9,941
Nabriva Therapeutics <sup>2)</sup>	US	USD	1,005,700	1,963,280	2,968,980	15.0	25,586	8,406
Ophthotech <sup>P)</sup>	US	USD	1,050,000	-447,000	603,000	1.7	24,515	47,523
Paratek Pharmaceuticals <sup>P)</sup>	US	USD	1,768,260	-124,518	1,643,742	9.3	23,983	53,767
Neurocrine Biosciences	US	USD	159,000	297,000	456,000	0.5	17,346	6,142
Relypsa	US	USD	157,500	867,500	1,025,000	2.5	13,358	5,526
Probiodrug <sup>P)</sup>	DE	EUR	717,156	-235,344	481,812	6.5	12,762	14,260
Esperion Therapeutics	US	USD	561,188	188,812	750,000	3.3	12,198	50,547
Bluebird Bio	US	USD	3,000	285,300	288,300	0.8	11,785	352
Eiger BioPharmaceuticals <sup>2) P)</sup>	US	USD	0	603,819	603,819	8.7	9,739	0
Vertex Pharmaceuticals	US	USD	9,000	98,000	107,000	0.0	8,181	1,033
Coherus Biosciences	US	USD	200,000	162,900	362,900	0.9	7,410	5,949
Medivation	US	USD	8,000	159,500	167,500	0.1	7,407	502
Oxford Immunotec	UK	USD	510,500	204,500	715,000	3.2	6,815	6,992
Eagle Pharmaceuticals	US	USD	0	170,000	170,000	1.1	6,622	0
Ultragenyx Pharmaceutical	US	USD	5,000	98,000	103,000	0.3	6,272	302
Mirati Therapeutics	US	USD	0	264,157	264,157	1.4	5,437	0
Anacor Pharmaceuticals	US	USD	5,000	99,000	104,000	0.2	5,346	281
PTC Therapeutics <sup>P)</sup>	US	USD	965,500	-125,558	839,942	2.5	5,203	57,147
Galapagos	BE	EUR	10,000	104,000	114,000	0.3	4,615	230
Dynavax Technologies	US	USD	0	204,000	204,000	0.5	3,775	0
Antares Pharma	US	USD	0	3,740,732	3,740,732	2.4	3,130	0
Intercept Pharmaceuticals	US	USD	1,500	23,500	25,000	0.1	3,089	411
Swedish Orphan Biovitrum <sup>P)</sup>	SE	SEK	2,025,000	-2,015,000	10,000	0.0	135	20,778
Basilea Pharmaceutica <sup>P)</sup>	CH	CHF	1,030,246	-1,030,246	0	0.0	0	114,048
ZS Pharma <sup>3)</sup>	US	USD	50,800	-50,800	0	0.0	0	2,079
Receptos <sup>3)</sup>	US	USD	254,000	-254,000	0	0.0	0	40,739
Other investments							27,377	60,299
<b>Total public companies</b>							<b>677,048</b>	<b>782,583</b>
<b>Total investments</b>							<b>976,575</b>	<b>1,021,529</b>

P) The position originates from the private companies portfolio.

1) The company is being acquired by Vectura. The fair value reflects the 15.86% of shares that are going to be offered to the purchaser at a price of GBP 4.1015 per share in cash.

2) The companies went public on NASDAQ in November and September 2015, as well as in March 2016. These holdings were listed under private companies in previous reports.

3) The companies were acquired during the reporting period by AstraZeneca and Celgene respectively, and HBM Healthcare sold all of its shares.

During the reporting period, the individual asset classes that are summarised under investments performed as follows:

<b>Development of investments</b> (CHF 000)	Private companies	Funds	Public companies	Total investments
<b>Fair value as at 31 March 2015</b>	<b>127,460</b>	<b>145,987</b>	<b>748,082</b>	<b>1,021,529</b>
Reclassification owing to IPO (Nabriva Therapeutics)	-8,406		8,406	0
Reclassification owing to IPO (AAA)	-26,095		26,095	0
<b>Fair value as at 31 March 2015 (after reclassification)</b>	<b>92,959</b>	<b>145,987</b>	<b>782,583</b>	<b>1,021,529</b>
Purchases	53,435	19,334	323,177	395,946
Sales	-102,778	-19,315	-368,952	-491,045
Realised gains	88,540	8,418	129,131	226,089
Realised losses	-118	-90	-9,736	-9,944
Changes in unrealised gains/losses	9,059	4,096	-179,155	-166,000
Total net result on investments	97,481	12,424	-59,760	50,145
<b>Fair value as at 31 March 2016</b>	<b>141,097</b>	<b>158,430</b>	<b>677,048</b>	<b>976,575</b>

Net result on investments comprised the following for the 2015/2016 financial year:

<b>Net result on investments</b> (CHF 000)	Private companies	Funds	Public companies	Total
Gains	112,713	29,653	196,164	338,530
Losses	-15,232	-17,229	-255,924	-288,385
<b>Total 2015/2016 financial year</b>	<b>97,481</b>	<b>12,424</b>	<b>-59,760</b>	<b>50,145</b>

The net gains on investments of CHF 50.1 million (previous year: CHF 311.5 million) includes net currency losses of CHF 7.7 million (previous year: net currency gains of CHF 25.0 million).

The following tables on pages 65 and 66 show the gains and losses (realised and unrealised) on single investments for the 2015/2016 and 2014/2015 financial years. Investments are listed separately only if the change in value in terms of the invest-

ment currency results in a gain or loss that is greater than CHF 2 million. Those investments for which a gain or loss of more than CHF 2 million is due solely to currency fluctuations are not listed individually.

Gains on investments (realised and unrealised per company) <sup>1)</sup>	2015/2016		
	IC	IC m	CHF 000
<b>Private companies</b>			
Ellipse Technologies	USD	80.3	78,246
Cathay Industrial Biotech	USD	29.9	28,558
Westmed	USD	5.6	5,293
Other investments			616
<b>Total private companies</b>			<b>112,713</b>
<b>Funds</b>			
MedFocus Fund II	USD	15.5	14,698
HBM BioCapital II	EUR	2.7	4,257
Water Street Healthcare Partners	USD	3.8	3,963
BioVeda China	USD	4.0	3,837
Other investments			2,898
<b>Total funds</b>			<b>29,653</b>
<b>Public companies</b>			
AAA	USD	82.4	77,791
Skyepharma	GBP	39.8	49,484
Genmab	DKK	116.1	18,119
Receptos	USD	16.9	18,030
ZS Pharma	USD	11.5	12,229
Swedish Orphan Biovitrum	SEK	67.5	7,463
Probiodrug	EUR	2.9	3,603
Ophthotech	USD	2.9	2,613
Other investments			6,832
<b>Total public companies</b>			<b>196,164</b>
<b>Total gains on investments</b>			<b>338,530</b>

1) Amounts in Swiss francs include gains and losses on foreign currencies.

Gains on investments (realised and unrealised per company) <sup>1)</sup>	2014/2015		
	IC	IC m	CHF 000
<b>Private companies</b>			
Ellipse Technologies	USD	8.9	9,457
Other investments			8,426
<b>Total private companies</b>			<b>17,883</b>
<b>Funds</b>			
Nordic Biotech	DKK	289.9	39,867
MedFocus Fund II	USD	5.0	6,050
BioMedInvest I	CHF	3.6	3,562
Other investments			4,701
<b>Total funds</b>			<b>54,180</b>
<b>Public companies</b>			
PTC Therapeutics	USD	55.6	58,506
Paratek Pharmaceuticals	USD	40.1	39,682
Pacira Pharmaceuticals	USD	31.9	37,643
Skyepharma	GBP	24.8	33,538
Esperion Therapeutics	USD	33.2	32,337
Ophthotech	USD	19.5	25,733
Receptos	USD	16.3	15,885
Genmab	DKK	86.8	10,545
Basilea Pharmaceutica	CHF	9.0	9,018
Collectis	EUR	7.7	7,851
Incyte	USD	4.3	4,629
Probiodrug	EUR	5.3	3,982
Coherus Biosciences	USD	2.4	2,370
Other investments			17,515
<b>Total public companies</b>			<b>299,234</b>
<b>Total gains on investments</b>			<b>371,297</b>

Losses on investments (realised and unrealised per company) <sup>1)</sup>	2015/2016		
	IC	IC m	CHF 000
<b>Private companies</b>			
Medimpulse Holding	USD	8.3	8,068
MiCardia	USD	4.4	4,305
Other investments			2,859
<b>Total private companies</b>			<b>15,232</b>
<b>Funds</b>			
Nordic Biotech	DKK	119.4	15,259
Other investments			1,970
<b>Total funds</b>			<b>17,229</b>
<b>Public companies</b>			
Esperion Therapeutics	USD	45.4	44,315
PTC Therapeutics	USD	43.4	42,634
Pacira Pharmaceuticals	USD	39.5	39,015
Paratek Pharmaceuticals	USD	26.8	26,410
Incyte	USD	11.4	11,633
Chimerix	USD	10.8	10,471
Relypsa	USD	9.7	9,748
Bluebird Bio	USD	7.3	7,492
Eagle Pharmaceuticals	USD	6.9	6,759
Lpath	USD	6.4	6,184
Anacor Pharmaceuticals	USD	6.1	5,877
Mirati Therapeutics	USD	4.8	4,921
Vertex Pharmaceuticals	USD	4.4	4,625
Ultragenyx Pharmaceutical	USD	3.9	3,807
Antares Pharma	USD	3.6	3,511
Basilea Pharmaceutica	CHF	3.3	3,267
Coherus Biosciences	USD	3.0	3,004
Oxford Immunotec	USD	2.6	2,688
Amicus Therapeutics	USD	2.0	2,079
Other investments			17,484
<b>Total public companies</b>			<b>255,924</b>
<b>Total losses on investments</b>			<b>288,385</b>

1) Amounts in Swiss francs include gains and losses on foreign currencies.

### Method of determining fair value

The following overview shows the percentage distribution of investments in the HBM Healthcare portfolio, according to the method by which fair value is derived as at the balance sheet date.

Calculation method	31.3.2016	31.3.2015
Financing round	13%	10%
Equity market	70%	73%
Multiple method	1%	3%
Other (third-party funds)	16%	14%

Losses on investments (realised and unrealised per company) <sup>1)</sup>	2014/2015		
	IC	IC m	CHF 000
<b>Private companies</b>			
Cathay Industrial Biotech	USD	14.0	11,151
Interventional Spine	USD	11.1	9,407
Delenex Therapeutics	CHF	5.2	5,263
Other investments			7,959
<b>Total private companies</b>			<b>33,780</b>
<b>Funds</b>			
Other investments			7,308
<b>Total funds</b>			<b>7,308</b>
<b>Public companies</b>			
Aegerion	USD	6.5	4,774
Regado Biosciences	USD	5.1	4,482
Lpath	USD	4.5	3,623
Other investments			5,808
<b>Total public companies</b>			<b>18,687</b>
<b>Total losses on investments</b>			<b>59,775</b>

### Basis of valuation of private companies

The following table shows the percentage distribution of investments in HBM Healthcare's private companies portfolio, according to fair value as at the balance sheet date, in relation to acquisition cost.

Fair value	31.3.2016	31.3.2015
> Acquisition cost	39%	20%
= Acquisition cost	53%	54%
< Acquisition cost	8%	26%

## 5. HBM BioCapital

HBM Healthcare has committed EUR 39.1 million to HBM BioCapital (EUR) L.P., Cayman Islands which is reported under investments. Of this, EUR 38.8 million had been paid in as at 31 March 2016 (previous year: EUR 38.8 million), while EUR 42.5 million had been repaid (previous year: EUR 42.5 million). As at 31 March 2016, the fair value of the remaining investment in HBM BioCapital (EUR) L.P. stood at EUR 6.0 million (previous year: EUR 8.8 million).

In the 2014/2015 financial year HBM Healthcare acquired 79.1 percent of the equity of HBM BioCapital (USD) L.P. for a total consideration of USD 2.5 million. The maturity, investment strategy and portfolio composition of this fund is identical to that of HBM BioCapital (EUR) L.P. The capital has been fully called up so that there is no remaining investment commitment. Since the purchase USD 1.0 million has been repaid to HBM Healthcare. The fair value of the remaining investment in HBM BioCapital (USD) L.P. amounted to USD 3.6 million as at 31 March 2016 (previous year: USD 5.2 million).

The investments held via HBM BioCapital (EUR) L.P. and HBM BioCapital (USD) L.P. (together "HBM BioCapital I") are reported pro-rata in note 4 "Investments", in addition to the investments held directly by HBM Healthcare.

Since its inception in 2004, HBM BioCapital I has returned more to investors than the total paid up capital, and currently holds a portfolio of four companies, which will be sold up to the end of the fund's contractual term, including the extension period.

To continue its strategy of investing in HBM BioCapital I, HBM Healthcare made a capital commitment of EUR 42 million to the newly founded HBM BioCapital II L.P., Jersey ("HBM BioCapital II") in February 2012. As at 31 March 2016, EUR 28.8 million of this commitment had been called up (previous year: EUR 23.7 million). No repayments have yet been made (previous year: no repayments). The investment in HBM BioCapital II is recognised under funds, as HBM BioCapital II will not make investments in companies in which HBM Healthcare is invested directly.

HBM Healthcare and HBM BioCapital I and II are all advised by HBM Partners Ltd. As explained in note 10.1 "Management fee", pro-rata fees (management and performance fees) charged by HBM BioCapital I and II are reimbursed to HBM Healthcare in full so that fees are not levied twice.

## 6. Other financial assets

Other financial assets consist primarily of contractual claims to purchase price payments from earlier trade sales that are contingent on the achievement of defined targets (milestone payments). These claims are recognised at fair value through profit and loss in the annual financial statements by applying a probability-weighted valuation approach based on the assessment of the likelihood of attaining the underlying targets. These claims are discounted over time at a discount rate of 11 percent (previous year: 11 percent) in the annual financial statements. The valuation measures applied refer to commonly used industry statistics as well as own guidelines and estimates.

As at the balance sheet date, other financial assets were composed as follows:

<b>Other financial assets (CHF 000)</b>	<b>31.3.2016</b>	<b>31.3.2015</b>
Claims to milestone related purchase price payments from trade sales (from investments held directly)	31,050	13,244
<b>Total book value of other financial assets</b>	<b>31,050</b>	<b>13,244</b>
Claims to milestone related purchase price payments from trade sales (from investments held indirectly via HBM BioCapital I)	4,116	3,254
<b>Total claims to milestone related payments from trade sales (direct and indirect investments)</b>	<b>35,166</b>	<b>16,498</b>

Total claims to such purchase price payments of CHF 35.2 million consist of CHF 31.1 million from investments held directly by HBM Healthcare, and CHF 4.1 million from investments which HBM Healthcare holds indirectly via HBM BioCapital I, and which are stated under investments (note 5 "HBM BioCapital").



The book value of contractual claims to purchase price payments developed as follows in the 2015/2016 financial year:

<b>Claims to purchase price payments</b> (CHF 000)	from investments held directly	from investments held indirectly via HBM BioCapital I	Total
<b>Amount as at 31 March 2015</b>	<b>13,244</b>	<b>3,254</b>	<b>16,498</b>
Addition	12,843	0	12,843
Payments received	0	0	0
Realised and unrealised gains/losses	4,963	862	5,825
<b>Amount as at 31 March 2016</b>	<b>31,050</b>	<b>4,116</b>	<b>35,166</b>

The following summary shows the value carried in the balance sheet compared with the potential future cash flows:

<b>Balance sheet value and potential cash flows</b> (CHF million)	Book value as at 31.3.2016	Cash flows minimum	Cash flows maximum	Expected period of payment
Ellipse Technologies	12.7	9.7	17.3	2017
ESBATEch	4.0	0.0	45.2	2016–2020
mtm laboratories	11.7	0.8	25.2	2016–2018
Tripex (former Mpex) <sup>1)</sup>	4.4	3.8	> 35.3	from 2017 onwards
Other companies	2.4	0.1	27.9	2016–2020
<b>Total</b>	<b>35.2</b>	<b>14.4</b>	<b>&gt; 150.9</b>	

1) Not including any revenue-sharing agreement. The potential return may be higher than this figure.

If the companies concerned are successful, these contractual claims could result in future payments which are many times the reported book value.

**Ellipse Technologies:** The company was acquired by NuVasive in January 2016. Its purchase price consisted of an upfront payment, as well as a milestone payment that is contingent on sales figures. To date, HBM Healthcare has received the upfront payment of CHF 90.1 million. Further payments are expected in 2017.

**ESBATEch:** The company was acquired in September 2009 by Alcon Inc., now a division of Novartis. The purchase price comprised an upfront payment and further milestone payments that are tied to the achievement of clinical development targets. In addition to the upfront payment of CHF 20.3 million,

HBM Healthcare has to date received milestone payments of CHF 13.2 million. Further payments are anticipated starting 2016.

**mtm:** The company was acquired in July 2011 by Roche. The purchase price for the company comprised an upfront payment and further performance-based milestone payments. HBM Healthcare has so far received the upfront payment of CHF 46.4 million and is expecting a further payment in 2016. The performance-related milestone payment is anticipated in 2018.

**Tripex (former Mpex):** The company was acquired in April 2011 by Aptalis, today a subsidiary of Actavis. Actavis returned the product rights to Quinsair™ to Tripex, which was founded by the former Mpex shareholders. Tripex resold Quinsair™ to the listed

US company Raptor Pharmaceuticals in the period under review. The book value represents the upfront payment received in cash and shares, as well as the milestone payments contingent on development results, market approval and sales figures in Europe and the USA, and may start in 2017.

Other companies: "Other companies" relates primarily to contractual claims from the sale of the investment holdings in Nereus and Syntonix, which are tied to advances in clinical development and product approvals.

## 7. Non-current financial liabilities

The following non-current financial liabilities were outstanding as at the balance sheet date: two straight bond tranches with a par value of CHF 50 million each, coupons of 2.0 and 2.5 percent and maturing on 10 July 2021 and 10 July 2023 respectively; to be redeemed at 100 percent of par value.

The bond tranches could become due for early repayment, if the outstanding investment commitments to investment funds exceed the amount of CHF 100 million or the fair value of all investments in public portfolio companies plus cash and cash equivalents is less than two and a half times the amount of the interest-bearing financial liabilities.

The straight bonds are carried at amortised cost, subject to the effective interest method. The difference between the net proceeds (after the deduction of CHF 1.2 million in transaction costs) and the amount repayable when the bond falls due for redemption is amortised over the term of the bonds and charged to financial expenses along with the interest that has been paid. The effective interest rates are 2.22 and 2.67 percent, respectively.

## 8. Shareholders' equity

### 8.1 Share capital and capital reserve

As at the balance sheet date, the Company's share capital stood at CHF 450.5 million (previous year: CHF 468.0 million), divided into 7,700,000 registered shares (previous year: 8,000,503 shares) at a par value of CHF 58.50 each (previous year: CHF 58.50). At the Ordinary Shareholders' Meeting of 26 June 2015, the decision was made to cancel 300,503 treasury shares. The capital reduction was entered in the Canton Zug Commercial Register on 9 September 2015. In addition to this capital reduction, the Ordinary Shareholders' Meeting also approved a withholding tax exempt distribution to shareholders of CHF 5.50 per registered share drawn from reserve from capital brought in. The payment was made on 6 July 2015.

### 8.2 Treasury shares

The Ordinary Shareholders' Meeting of 20 June 2014 authorised the Board of Directors to repurchase a maximum of 800,000 of the Company's own shares via a second trading line. The aim of the share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 19 June 2017 ("2014 share buy-back programme"). The programme started on 3 November 2014. Under this share buy-back programme a total of 577,503 of the Company's own shares have been repurchased to date, of which 300,503 were cancelled on 9 September 2015.

The Company holds 277,000 of its own shares (previous year: 245,500) as at the balance sheet date of 31 March 2016. During the 2015/2016 financial year, a total of 332,003 of the Company's own shares were acquired at an average price of CHF 100.80 per share (previous year: 840,997 own shares at an average price of CHF 98.69).

<b>Holdings from second trading line</b> (Number of own shares)	2015/2016	2014/2015
<b>Beginning of financial year</b>	<b>245,500</b>	<b>304,000</b>
Acquired via second trading line under share buy-back programme	332,003	276,100
Acquired via share buy-back through the issue of put options	0	564,897
Capital reduction owing to cancellation of own shares	-300,503	-899,497
<b>End of financial year</b>	<b>277,000</b>	<b>245,500</b>

In addition, as at the balance sheet date, the Company holds via its subsidiary HBM Healthcare Investments (Cayman) Ltd 149,757 treasury shares (previous year: 114,896), acquired via the regular trading line. During the financial year, a total of 328,353 treasury shares were acquired via the regular trading line at an average price of CHF 97.05 per share (previous year: 160,646 shares at CHF 90.97), while 293,492 treasury shares were sold at an average price of CHF 102.30 (previous year: 179,415 shares at CHF 96.97). The gain of CHF 3.0 million (previous year: CHF 4.6 million) from trading in treasury shares, which is reported in shareholders' equity, is based on the proceeds of shares sold, minus the pro-rata average acquisition price of all shares purchased via the regular trading line.

### 8.3 Significant shareholders

Based on information received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2016.

<b>Shareholding</b>	<b>Shareholder</b>	<b>Latest notification</b>
10 – 15 %	Nogra SA, Luxemburg	13.11.2015
5 – 10 %	Astellas Pharma, Inc., Tokyo, Japan	25.1.2014
	HBM Healthcare Investments Ltd, Zug	18.3.2016
3 – 5 %	Red Rocks Capital LLC, Golden, USA	5.6.2014

## 9. Off-balance-sheet commitments

### Investment commitments

HBM Healthcare had the following investment commitments as at 31 March 2016:

(CHF 000)	31.3.2016	31.3.2015
HBM BioCapital I	342	327
HBM BioCapital II	14,481	19,090
Private companies	0	29,786
Funds	32,096	21,212
<b>Total investment commitments</b>	<b>46,919</b>	<b>70,415</b>

Further details on investment commitments to HBM BioCapital (EUR) L.P., HBM BioCapital (USD) L.P. and HBM BioCapital II L.P. can be found in note 5 "HBM BioCapital".

### 10. Management fee and performance fee

HBM Healthcare has entered into an advisory agreement with HBM Partners Ltd (HBM Partners or the Investment Advisor). This agreement requires HBM Partners to provide services in relation to the investment activities of HBM Healthcare. The compensation under the agreement includes a management fee and a performance fee. The compensation model is determined by the Board of Directors.

In the 2015/2016 financial year, the management fee and the performance fee were as follows:

(CHF 000)	2015/2016	2014/2015
Management fee to HBM Partners	13,663	12,448
<b>Total management fee</b>	<b>13,663</b>	<b>12,448</b>

<b>Provision for performance fee (CHF 000)</b>	2015/2016	2014/2015
<b>Beginning of financial year</b>	<b>50,414</b>	<b>3,807</b>
Creation of provision	0	46,607
Payment	-50,414	0
<b>End of financial year</b>	<b>0</b>	<b>50,414</b>

The management fee paid to HBM Partners during the 2015/2016 financial year came to CHF 13.7 million (previous year: CHF 12.4 million). No provision was made for a performance fee (previous year: provision of CHF 46.6 million), as net assets on the balance sheet date of 31 March 2016 did not exceed the highest net assets that were used as a calculation basis to pay out the last fee (high water mark). The payment of the previous year's performance fee to HBM Partners (CHF 47.4 million) and the Board of Directors (CHF 3.0 million) was made in April and June 2015, respectively.

#### 10.1 Management fee

The management fee due to HBM Partners amounts to 0.75 percent per year of the Company's assets plus 0.75 percent per year of its market capitalisation, payable quarterly at the beginning of a quarter. Company assets are calculated from the consolidated shareholders' equity reported as at the end of the previous quarter, plus borrowed capital, and the Company's holdings of its own saleable shares, valued at market prices. Market capitalisation corresponds to the market value of the Company on SIX Swiss Exchange, less the Company's holdings of its own shares acquired as part of a share buy-back programme in order to reduce its capital.

HBM Healthcare has agreed with the Investment Advisor that no management fee will be owed for the entire term of the two bond tranches of CHF 50 million each, issued in July 2015.

As explained in note 5 "HBM BioCapital", both HBM Healthcare and HBM BioCapital I and II are advised by HBM Partners. HBM Healthcare's pro-rata share of management and performance fees (carried interest) incurred on HBM BioCapital I and II is refunded in full so that fees are not levied twice.

The management fees essentially cover all expenses incurred by HBM Partners in connection with its investment advisory services as part of regular operating activities. The management fees do not cover third-party costs for the evaluation and review of investment opportunities, purchase and sale agree-

ments, charges and duties payable on trading in exchange-listed securities, expenditures on taxes and stamp duties, and similar charges.

#### 10.2 Performance fee

Based on the increase in net asset value, HBM Partners is entitled to an annual performance fee, less the performance fees paid to members of the Board of Directors of HBM Healthcare as explained in note 14.1, "Payments to members of governing bodies and related parties".

Net asset value is calculated once a year as at the balance sheet date.

The performance fee amounts to 15 percent of the increase in value of net assets above the high water mark. The applicable high water mark corresponds to the net assets that were used as a calculation basis to pay out the last fee, adjusted for dividends and capital repayments paid out to shareholders in the meantime. The performance fee is calculated annually based on net assets and the number of outstanding shares (excluding treasury shares) reported at the balance sheet date and is paid after the end of the financial year, provided the value increase exceeds the high water mark by five percent or more.

The performance fee paid out to the Investment Advisor is reduced by the gross amount of the variable compensation paid to members of the Board of Directors, so that the total performance fee (to Board of Directors and Investment Advisor) does not exceed 15 percent of the value increase.

The calculation basis for the performance fee is the net asset value per share before provision is made for the performance fee and amounted to CHF 140.23 per share for the 2015/2016 financial year. As this amount is below the high water mark of CHF 141.70, no performance fee is due to the Investment Advisor for the financial year just ended, and the high water mark for all outstanding shares remains at CHF 141.70 (adjusted for any dividend payments or capital repayments made to shareholders).

## 11. Personnel expenses

Personnel expenses for the group are composed as follows:

(CHF 000)	2015/2016	2014/2015
Remuneration to the Board of Directors and the Committees <sup>1)</sup>	415	409
Remuneration to Directors of subsidiaries	189	207
Wages and salaries	780	844
Social insurance contributions and duties	185	267
Other personnel expenses	66	100
<b>Total personnel expenses</b>	<b>1,635</b>	<b>1,827</b>

1) Regarding the performance fee for members of HBM Healthcare's Board of Directors please see note 10 "Management fee and performance fee".

Members of the Management of HBM Healthcare are integrated into the affiliation agreement with the collective BVG pension foundation of HBM Partners. Pension fund contributions are paid in full by HBM Partners.

## 12. Taxes

HBM Healthcare does not capitalise deferred tax assets relating to the Company's loss carry-forwards because it is unlikely, given the tax status of the Company and its subsidiary on the Cayman Islands, that such loss carry-forwards could be used in the near future. The Company's deductible loss carry-forwards as at 31 March 2016 amounted to CHF 11.9 million (previous year: CHF 25.3 million), which can be set off in subsequent periods:

Tax losses carried forward (CHF 000)	31.3.2016
Within 1 year	0
Within 2 to 5 years	11,944
After 5 years	0
<b>Total</b>	<b>11,944</b>

## 13. Financial risk management

HBM Healthcare is exposed to various financial risks. These risks, which are a result of the group's investment and financing activities, are monitored continuously. The Board of Directors conducts an annual assessment of business risks. The basis of the analysis is a risk matrix that identifies and evaluates significant risks and defines necessary measures to monitor and mitigate these risks.

The Investment Guidelines set out the overall investment strategy, the tolerance of risk and the general risk management philosophy. HBM Healthcare has also established processes for the careful and timely monitoring and controlling of its financial instruments and investments. The Board of Directors reviews these guidelines on investment activities on an annual basis. Management ensures compliance with them by reviewing portfolio composition continuously.

### 13.1 Risk of limited market liquidity

HBM Healthcare invests in privately held companies. Such investments are mostly illiquid by nature and are often subject to contractual transfer restrictions. These restrictions may, under certain circumstances, prevent HBM Healthcare from selling such investments without the support of the portfolio company and the consent of major co-investors. All of these restrictions on liquidity may prevent the successful sale of holdings in these portfolio companies and/or reduce the proceeds that might be realised from a sale. HBM Healthcare endeavours to reduce market liquidity risk by means of thorough investment analyses and by dialogue and cooperation with the portfolio companies concerned. Cash and cash equivalents are held exclusively with first-rate banks.

### 13.2 Market risks

General economic and political market factors, as well as the situation on the relevant public equity markets, are factors that impact directly on the prospects of HBM Healthcare's financial instruments and investments. Given the maturity of HBM Healthcare's portfolio, which should provide exit opportunities (sale to other operating companies or investors, as well as IPOs) for several private portfolio companies within the next few years, public equity markets have a direct impact. A receptive public equity environment is helpful for a company in successfully executing a trade sale or public offering, and the pricing of a company correlates positively with the valuation of its publicly traded peers. By contrast, a negative public equity market makes a sale or an IPO more difficult. The valuation of HBM Healthcare's public portfolio also generally increases and decreases in line with valuations on public equity markets as a whole.

The value-creation potential of HBM Healthcare's portfolio positions may depend in part on demand from strategic buyers for companies with promising drugs and medical technology products.

For HBM Healthcare's portfolio of private companies that are still at a relatively early stage of development, the availability of funding is crucial to the continuation of their business activities and to reaching their development objectives. The liquidity provided by the private equity market thus impacts positively on these companies' financing costs.

The healthcare sector as a whole depends on society's ability and willingness to pay for drugs, treatments and innovations that help to address

health issues. If certain countries, specifically the United States of America as the largest market worldwide for drug and medical technology products, were to increase or reduce spending on such treatment options materially, HBM Healthcare's portfolio companies might be impacted significantly. Political developments in countries in which the operations of a few portfolio companies are located, such as China or India, might affect the ability of the companies in question to execute their business plans and attain their growth targets. HBM Healthcare endeavours to reduce market risks by means of thorough investment analyses and by close cooperation with the portfolio companies concerned.

### 13.3 Liquidity risks

The Investment Guidelines oblige HBM Healthcare to maintain an appropriate level of short-term funds in order to participate in follow-on financing for portfolio companies and to ensure that the Company is able to meet all of its liabilities and investment commitments. When determining the necessary level of liquidity, the most important factors are (1) the expected due dates of HBM Healthcare's investment commitments, (2) due dates for the repayment of borrowed capital under compliance with bond terms and/or the possibility of refinancing, (3) expected payment dates of other contractual obligations, (4) expected follow-on financing rounds at private portfolio companies, including their anticipated timing, (5) the trading liquidity of public portfolio companies, (6) expected cash flows from the sale of private portfolio companies and (7) the extent of share buy-backs and cash distributions to shareholders.

The following table analyses reported liabilities as at the balance sheet date, 31 March 2016, as well as investment commitments to portfolio companies

and funds with regard to the due dates of contractual cash flows (including interest on financial liabilities):

<b>Liquidity risks (CHF million)</b>	Book value as at balance sheet date	Total contractual cash flows	Due within 3 months	Due within 3–12 months	Due within 12–24 months	Due within >24 months
<b>Balance sheet liabilities</b>						
Other current liabilities	3.8	3.8	2.2	1.6	0.0	0.0
Non-current financial liabilities	98.9	116.1	0.0	2.3	2.3	111.5
<b>Total balance sheet liabilities as at 31 March 2016</b>	<b>102.7</b>	<b>119.9</b>	<b>2.2</b>	<b>3.9</b>	<b>2.3</b>	<b>111.5</b>
Total balance sheet liabilities as at 31 March 2015	116.9	116.9	53.5	63.4	0.0	0.0
<b>Off-balance-sheet investment commitments<sup>1)</sup></b>						
Expected drawdowns HBM BioCapital I and II	14.8	14.8	2.2	6.0	6.6	0.0
Expected maturities of investment commitments to private companies	0.0	0.0	0.0	0.0	0.0	0.0
Expected drawdowns funds	32.1	32.1	4.0	14.0	10.0	4.1
<b>Total off-balance-sheet investment commitments as at 31 March 2016</b>	<b>46.9</b>	<b>46.9</b>	<b>6.2</b>	<b>20.0</b>	<b>16.6</b>	<b>4.1</b>
Total off-balance-sheet investment commitments as at 31 March 2015	70.4	70.4	10.0	36.5	14.9	9.0

1) Due dates are estimates

Given the maturity of HBM Healthcare's portfolio, the Board of Directors anticipates that a favourable market environment will provide regular exit opportunities for the sale of the Company's private and public investments, at the corresponding levels of added value.

HBM Healthcare manages its liquidity by means of comprehensive liquidity planning.

### 13.4 Foreign currency risks

A significant proportion of the HBM Healthcare portfolio is held in foreign currency. The value of these investments and other assets held in foreign currencies is subject to risks emanating from exchange rate fluctuations. As a general rule, HBM Healthcare does not hedge these risks. It may, however, be appropriate to hedge currency exposure in full or in part from time to time.

As at the balance sheet date, 92 percent of HBM Healthcare' total assets were subject to foreign currency risks (previous year: 77 percent).

The following table demonstrates the sensitivity of HBM Healthcare's annual result to a possible fluctuation in foreign exchange rates of +/- 10 percent compared to the foreign exchange rates used for the annual financial statements as at 31 March 2016:

<b>31 March 2016 (CHF million)</b>	Fair value	Foreign exchange rates	
		+10%	-10%
Net assets in USD	703	70	-70
Net assets in GBP	183	18	-18
Net assets in EUR	68	7	-7
Net assets held in other foreign currencies	76	8	-8
<b>31 March 2015 (CHF million)</b>			
Net assets in USD	604	60	-60
Net assets in GBP	134	13	-13
Net assets in EUR	0	0	0
Net assets held in other foreign currencies	89	9	-9

### 13.5 Valuation risks and fair values

Given the uncertainties inherent in valuing private companies, the net asset value (NAV) reported by HBM Healthcare may differ temporarily from the actual fair value of individual investments. As a result of valuation differences owing to the unavailability of information, the estimated values of individual investments may diverge significantly from values that would have been calculated had an active market for such securities existed. Furthermore, the estimated values of individual investments as at a certain balance sheet date may differ significantly from the values which could potentially be realised by means of an exit, an IPO or another event with

a participating third-party (i.e. financing round) at any later point in time. Such differences might have a material effect on the valuation of individual investments in the financial statements of HBM Healthcare.

Valuations of difficult-to-assess investments are made by HBM Healthcare in accordance with its accounting policies, as described in note 2.6, and are determined by the Management and approved by the Board of Directors. The following summary analyses assets and liabilities valued at their fair values, in accordance with their place in the valuation hierarchy:

	Level 1 «Quoted prices»	Level 2 «Observable inputs»	Level 3 «Unobser- vable inputs»	Total
<b>Assets at fair value as at 31 March 2016 (CHF million)</b>				
<b>Investments</b>				
– Private companies			141.1	141.1
– Funds			158.4	158.4
– Public companies	677.0			677.0
Financial instruments		10.0		10.0
Other financial assets			31.1	31.1
<b>Total assets at fair value</b>	<b>677.0</b>	<b>10.0</b>	<b>330.6</b>	<b>1017.6</b>

#### Assets and liabilities at fair value as at 31 March 2015 (CHF million)

<b>Investments</b>				
– Private companies			127.4	127.4
– Funds			146.0	146.0
– Public companies	748.1			748.1
Financial instruments		15.8		15.8
Other financial assets			13.2	13.2
<b>Total assets at fair value</b>	<b>748.1</b>	<b>15.8</b>	<b>286.6</b>	<b>1050.5</b>
Financial instruments	63.5			63.5
<b>Total liabilities at fair value</b>	<b>63.5</b>	<b>0.0</b>	<b>0.0</b>	<b>63.5</b>



Level 1: Market prices (unadjusted) on active markets for identical assets and liabilities ("quoted prices").

Level 2: Valuation methods that are directly or indirectly observable for all major parameters ("observable inputs").

Level 3: Valuation methods covering major parameters that are not based on observable market data ("unobservable inputs").

The IPOs of Nabriva Therapeutics and Advanced Accelerator Applications resulted in assets amounting to CHF 34.5 million being reclassified from level 3 to level 1 during the 2015/2016 financial year.

As at 31 March 2016, there were no liabilities that were carried at fair value.

### 13.6 Interest rate risks

HBM Healthcare's exposure to interest rate risk is low, or significantly reduced, because the Company holds only short-term positions in cash and cash equivalents, and the interest rate for debt financing is determined in advance for the entire term.

### 13.7 Credit risks

Credit risks with regard to all HBM Healthcare assets relate to the risk that a debtor may become unable to meet its liabilities. In order to minimise this risk, HBM Healthcare holds cash and cash equivalents, listed securities, foreign exchange and derivatives only with top-rated financial institutions. In addition, risks are diversified across a number of different counterparties. As at the balance sheet date of 31 March 2016, there were no receivables overdue, and there were no recorded losses on receivables during the 2015/2016 financial year. For the expected payments from escrow amounts and milestones, the maximum default risk refers to the book value of CHF 31.1 million (note 6, "Other financial assets").

### 13.8 Capital management

The Company manages its shareholders' equity within the limits of the law and in accordance with its investment strategy and its liquidity planning. The Company's Investment Guidelines limit borrowing to 20 percent of net assets.

Details of current share buy-back programmes and the number of treasury shares held by the Company are given in note 8.2, "Treasury shares".

## 14. Transactions with related parties

### 14.1 Payments to members of governing bodies and related parties

Members of the Board of Directors are entitled to a fixed fee, a meeting fee and a variable compensation fee, based on the increase in the Company's value ("performance fee").

The fixed fee for the Chairman amounted to CHF 94,000 (previous year: CHF 94,000) in the reporting year. The fixed fees for the Vice Chairman and the other four members of the Board of Directors amounted to CHF 43,000 (previous year: CHF 43,000) and CHF 28,000 (previous year: 28,000) per year, respectively. The meeting fee for each meeting of the Board of Directors amounts to CHF 4,000 for the Chairman (previous year: CHF 4,000) and CHF 3,000 for the other board members (previous year: CHF 3,000). In addition, the two members of the Audit Committee receive a fixed fee of CHF 30,000 each per year (previous year: CHF 30,000) and the three members of the Compensation Committee each receive a fixed fee of CHF 10,000 per year (previous year: CHF 10,000). No additional fee is paid to the members of the Nominating Committee (previous year: no fee).

The Board of Directors is also entitled to a performance fee (note 10.2, "Performance fee"). Each member of the Board of Directors is entitled to a cash payment corresponding to one percent of the amount of the performance fee owed by HBM Healthcare to the Investment Advisor. The performance fee paid to HBM Partners is then reduced by the same amount. As a result, the sum of all performance fees paid out by HBM Healthcare, including those to members of the Board of Directors, equals 15 percent of the increase in net assets.

The six members of the Board of Directors received fixed directors' remuneration totalling CHF 249,000 for the 2015/2016 financial year (previous year: CHF 249,000). In addition, the directors received meeting fees totalling CHF 76,000 (previous year: CHF 70,000). For their Committee activities, the two members of the Audit Committee and the three members of the Compensation Committee received fees totalling CHF 90,000 (previous year: CHF 90,000). The social security contributions and duties paid by the Company on these fees came to a total of CHF 15,681 (previous year: CHF 98,744). As mentioned in note 10.2 "Performance fee", no performance fee was paid to the members of the Board of Directors for the period under review (previous year: CHF 3,024,000; CHF 504,000 per member).

In the 2015/2016 financial year, the members of Management, who are also employed by HBM Partners, received 40 percent (previous year: 40 percent) of their total fixed fee paid out from HBM Healthcare. For the 2015/2016 reporting year, these payments totalled CHF 293,304 (previous year: CHF 289,116), including social security contributions. No performance fee was paid to the members of Management (previous year: none).

A detailed overview of the total compensation paid to individual members of the Board of Directors and Management is shown in the compensation report on pages 45 and 46.

The Chief Executive Officer (CEO) participates as minority shareholder in HBM Partners and the Chief Financial Officer (CFO) benefits from a profit sharing scheme.

#### 14.2 Investment holdings

HBM Healthcare holds an investment in the Hattaras Venture Partners III fund, where Board member Robert A. Ingram serves as General Partner. Details on the investment commitment, paid-in capital and the valuation of this investment can be found in the overview of funds given on page 62.

#### 15. Events after the balance sheet date

The Board of Directors of the Company approved these Consolidated Financial Statements on 17 May 2016. They will be presented to the Ordinary Shareholders' Meeting for its approval on 24 June 2016.

No events occurred between the balance sheet date and the date of approval of the Consolidated Financial Statements that impact on the informational value of the latter.

To the General Meeting of  
**HBM Healthcare Investments Ltd, Zug**

Zurich, 17 May 2016

## **Report of the statutory auditor on the consolidated financial statements**

As statutory auditor, we have audited the consolidated financial statements of HBM Healthcare Investments Ltd, which comprise the consolidated balance sheet, consolidated statements of comprehensive income, consolidated statement of cash flows and changes in equity, and notes (pages 53 to 79), for the year ended 31 March 2016.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), article 14 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

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

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

## Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with article 14 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange as well as Swiss law.

## Report on other legal requirements

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

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

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

Ernst & Young Ltd



Martin Mattes  
Licensed audit expert  
(Auditor in charge)



Jörg Schmidt  
Licensed audit expert

<b>Balance sheet</b> (CHF 000)	Notes	31.3.2016	31.3.2015
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,606	3,970
Other current assets		54	53
<b>Total current assets</b>		<b>6,660</b>	<b>4,023</b>
<b>Non-current assets</b>			
Investments in subsidiaries		846,000	846,000
<b>Total non-current assets</b>		<b>846,000</b>	<b>846,000</b>
<b>Total assets</b>		<b>852,660</b>	<b>850,023</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Liability to subsidiaries		0	30,000
Other liabilities		2,714	4,915
Accrued liabilities		632	713
<b>Total current liabilities</b>		<b>3,346</b>	<b>35,628</b>
<b>Non-current liabilities</b>			
Financial liabilities		100,000	0
<b>Total non-current liabilities</b>		<b>100,000</b>	<b>0</b>
<b>Shareholders' equity</b>			
Share capital		450,450	468,029
Treasury shares	(2.4)	-27,298	-24,214
Legal capital reserve			
Reserve from capital brought in		119,418	161,768
Legal retained earnings			
General legal reserve		80,000	0
Reserve for treasury shares <sup>1)</sup>	(2.4)	14,392	9,530
Voluntary retained earnings			
Free reserve		100,042	117,468
Retained earnings		12,310	81,814
<b>Total shareholders' equity</b>		<b>749,314</b>	<b>814,395</b>
<b>Total liabilities and shareholders' equity</b>		<b>852,660</b>	<b>850,023</b>

1) For treasury shares held by subsidiary.

<b>Statement of income for the financial year ended 31 March</b> (CHF 000)	2015/2016	2014/2015
<b>Income</b>		
Financial income	11	4
Income from participations	15,000	75,000
<b>Total income</b>	<b>15,011</b>	<b>75,004</b>
<b>Expenses</b>		
Financial expenses	2,854	28
Personnel expenses	842	3,969
Administration expenses	799	1,118
Direct taxes	20	13
<b>Total expenses</b>	<b>4,515</b>	<b>5,128</b>
<b>Net result for the year</b>	<b>10,496</b>	<b>69,876</b>

<b>Development of shareholders' equity</b> (CHF 000)	Number of shares	Share capital	Treasury shares	Reserve from capital brought in	General legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
<b>Balance as at 31 March 2013</b>	<b>9,200,000</b>	<b>552,000</b>	<b>-12,731</b>	<b>182,488</b>	<b>0</b>	<b>7,136</b>	<b>146,064</b>	<b>-266,662</b>	<b>608,295</b>
Purchase of own shares			-22,186						-22,186
Capital reduction (30.8.2013)	-300,000	-18,000	14,718	3,282					0
Par value repayment (9.9.2013)		-13,350					163		-13,187
Increase in reserve for treasury shares <sup>1)</sup>						593	-593		0
Net result for the year								278,600	278,600
<b>Balance as at 31 March 2014<sup>2)</sup></b>	<b>8,900,000</b>	<b>520,650</b>	<b>-20,199</b>	<b>185,770</b>	<b>0</b>	<b>7,729</b>	<b>145,634</b>	<b>11,938</b>	<b>851,522</b>
Purchase of own shares			-83,001						-83,001
Distribution from capital reserve (27.6.2014)				-24,002					-24,002
Capital reduction (26.8.2014)	-899,497	-52,621	78,986				-26,365		0
Increase in reserve for treasury shares <sup>1)</sup>						1,801	-1,801		0
Net result for the year								69,876	69,876
<b>Balance as at 31 March 2015</b>	<b>8,000,503</b>	<b>468,029</b>	<b>-24,214</b>	<b>161,768</b>	<b>0</b>	<b>9,530</b>	<b>117,468</b>	<b>81,814</b>	<b>814,395</b>
Purchase of treasury shares			-33,227						-33,227
Allocation to legal reserve (26.6.2015)					80,000			-80,000	0
Distribution from capital reserve (6.7.2015)				-42,350					-42,350
Capital reduction (9.9.2015)	-300,503	-17,579	30,143				-12,564		0
Increase in reserve for treasury shares <sup>1)</sup>						4,862	-4,862		0
Net result for the year								10,496	10,496
<b>Balance as at 31 March 2016</b>	<b>7,700,000</b>	<b>450,450</b>	<b>-27,298</b>	<b>119,418</b>	<b>80,000</b>	<b>14,392</b>	<b>100,042</b>	<b>12,310</b>	<b>749,314</b>

1) For treasury shares held by subsidiary.

2) Based on the Swiss Federal Tax Administration's (ESTV) definitive confirmation of 4 September 2014, the amount of CHF 163,500 was reclassified from reserve from capital brought in to free reserve as at 31 March 2014.

## 1. General

The financial statements of HBM Healthcare Investments Ltd, Zug (the Company), are prepared in accordance with the provisions of Swiss company law.

## 2. Accounting policies

The Parent Company Financial Statements have been prepared in accordance with the provisions of Swiss law on companies limited by shares, including the amended provisions on commercial accounting (Articles 957–962 CO) which came into force on 1 January 2013, subject to a two-year transitional period. The relevant prior-year figures have been adjusted, and correspond to the requirements of the amended provisions on commercial accounting in the Swiss Code of Obligations.

The significant accounting policies adopted in the preparation of the financial statements are set out below.

### 2.1 Cash and cash equivalents

Cash and cash equivalents comprise assets which can be converted into amounts of legal tender within 90 days of the original transaction, i.e. cash in hand or at bank, and fixed-term deposits.

### 2.2 Investments in subsidiaries

Investments in subsidiaries are recognised at acquisition cost less valuation adjustments at maximum.

### 2.3 Liabilities

Liabilities are recognised under current liabilities if they fall due for payment within twelve months or under non-current liabilities if their maturity exceeds twelve months.

### 2.4 Treasury shares

The Company's holdings of its own shares are deducted from shareholders' equity. A reserve for treasury shares is held for those treasury shares which are held via the HBM Healthcare Investments (Cayman) Ltd subsidiary. This reserve corresponds to the counter value of those shares' acquisition costs.

## 3. Non-current financial liabilities

The following non-current financial liabilities were outstanding as at the balance sheet date: two straight bond tranches with a par value of CHF 50 million each, coupons of 2.0 and 2.5 percent and maturing on 10 July 2021 and 10 July 2023 respectively; to be redeemed at 100 percent of par value.

The bond tranches are carried at their par value. Transaction costs are charged to financial expenses.

## 4. Treasury shares

<b>Holdings from second trading line</b> (Number of own shares)	2015/2016	2014/2015
<b>Beginning of financial year</b>	<b>245,500</b>	<b>304,000</b>
Acquired via second trading line under share buy-back programme	332,003	276,100
Acquired via share buy-back through the issue of put options	0	564,897
Capital reduction owing to cancellation of own shares	–300,503	–899,497
<b>End of financial year</b>	<b>277,000</b>	<b>245,500</b>

The Ordinary Shareholders' Meeting of 20 June 2014 authorised the Board of Directors to repurchase a maximum of 800,000 of the Company's own shares via a second trading line. The aim of the share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 19 June 2017 ("2014 share buy-back programme"). The programme started on 3 November 2014. Under this share buy-back programme a total of 577,503 of the Company's own shares have been repurchased to date, of which 300,503 were cancelled on 9 September 2015.

The Company holds 277,000 of its own shares (previous year: 245,500) as at the balance sheet date of 31 March 2016. During the 2015/2016 financial year, a total of 332,003 of the Company's own shares were acquired at an average price of CHF 100.80 per share (previous year: 840,997 own shares at an average price of CHF 98.69).



In addition, as at the balance sheet date, the Company holds via its subsidiary HBM Healthcare Investments (Cayman) Ltd 149,757 treasury shares (previous year: 114,896), acquired via the regular trading line. During the financial year, a total of 328,353 treasury shares were acquired via the regular trading line at an average price of CHF 97.05 per share (previous year: 160,646 shares at CHF 90.97), while 293,492 treasury shares were sold at an average price of CHF 102.30 (previous year: 179,415 own shares at an average price of CHF 96.97).

## 5. Significant shareholders

Based on information received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2016:

Shareholding	Shareholder	Latest notification
10–15 %	Nogra SA, Luxemburg	13.11.2015
5–10 %	Astellas Pharma, Inc., Tokyo, Japan	25.1.2014
	HBM Healthcare Investments Ltd, Zug	18.3.2016
3–5 %	Red Rocks Capital LLC, Golden, USA	5.6.2014

## 6. Major subsidiaries

The Company owns 100 percent of the shares in the following company:

(CHF 000)	Capital as at 31.3.2016	Capital as at 31.3.2015
HBM Healthcare Investments (Cayman) Ltd., Cayman Islands	846,000	846,000

The object of the subsidiary is to enter into and hold investments in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas.

HBM Healthcare Investments Ltd holds investments in private and public companies, as well as in funds, indirectly via its HBM Healthcare Investments (Cayman) Ltd subsidiary. Owing to the lack of immediately available fair values, the fair valuations of the private companies and funds held by the subsidiary are determined by the Management on the basis of the "International Private Equity and Venture Capital Valuation Guidelines (IPEV)" and approved by the Board of Directors. Given the uncertainty inherent in valuing such investments in general, the reported valuations of individual investments may differ from the values that might have resulted had an active market existed for those investments.

The CHF 846.0 million book value of the holding in HBM Healthcare Investments (Cayman) Ltd reported in the balance sheet of HBM Healthcare Investments Ltd reflects the total valuations of the investments held by the subsidiary. Changes in the valuations of the subsidiary's underlying investments thus could have an impact on the book value of this holding in the HBM Healthcare Investments Ltd balance sheet.

## 7. Shares held by the Board of Directors and Management

Shares held directly or indirectly by governing bodies (number of registered shares)	31.3.2016	31.3.2015
<b>Board of Directors</b>		
Hans Peter Hasler, Chairman	13,000	13,000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	4,000	3,500
Mario G. Giuliani, Member	785,322	233,514
Dr Eduard E. Holdener, Member	2,100	2,100
Robert A. Ingram, Member	1,000	1,000
Dr Rudolf Lanz, Member	3,300	3,300
<b>Management</b>		
Dr Andreas Wicki, CEO	51,000	39,700
Erwin Troxler, CFO	6,700	3,000

## 8. Other disclosures required by law

### 8.1 Declaration of full-time equivalents

The annualised average number of full-time equivalents employed by the company during the 2015/2016 financial year was less than one (previous year: less than one).

### 8.2. Contingent liabilities

As at 31 March 2016, the Company did not have any outstanding contingent liabilities.

### 8.3. Business review and statement of cash flows

Since the Company prepares consolidated financial statements in accordance with a recognised financial reporting standard (IFRS) it has decided, in accordance with the applicable provisions in law, that it will not publish a business review or statement of cash flows.

## 9. Events after the balance sheet date

The Board of Directors of the Company authorised these Statutory Annual Financial Statements on 17 May 2016. No events occurred between the balance sheet date and the date of approval of the annual financial statements that impact on the informational value of the latter.

### 1. Appropriation of earnings

The Board of Directors proposes to the Ordinary Shareholders' Meeting that retained earnings of CHF 12.3 million be used as follows:

<b>Retained earnings (CHF)</b>	<b>2015/2016</b>
<b>Beginning of financial year</b>	<b>1,814,076</b>
Net result for the year	10,495,476
<b>End of financial year</b>	<b>12,309,552</b>
Allocation to general legal reserve	5,410,000
<b>End of financial year (carried forward)</b>	<b>6,899,552</b>

### 2. Cash distribution from reserve from capital brought in

The Board of Directors is also proposing to the Ordinary Shareholders' Meeting that an unchanged cash dividend of CHF 5.50 per share eligible for dividend (up to a maximum of CHF 40.8 million) be paid from reserve from capital brought in.

To the General Meeting of  
**HBM Healthcare Investments AG, Zug**

Zurich, 17 May 2016

### **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the accompanying financial statements of HBM Healthcare Investments AG, which comprise the balance sheet, income statement and notes (pages 82 to 87), for the year ended 31 March 2016.

#### **Board of Directors' responsibility**

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

#### **Auditor's responsibility**

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

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

#### **Opinion**

In our opinion, the financial statements for the year ended 31 March 2016 comply with Swiss law and the company's articles of incorporation.

### Report on other legal requirements

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

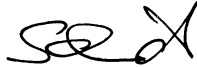
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd



Martin Mattes  
Licensed audit expert  
(Auditor in charge)



Jörg Schmidt  
Licensed audit expert

# hbmhealthcare.com

Internet address

# 1.262.725

Swiss security number

# HBMN

SIX Swiss Exchange Ticker

## Significant shareholders

Based on the notifications received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2016:

Shareholding	Shareholder	Latest notification
10–15 %	Nogra SA, Luxemburg	13.11.2015
5–10 %	Astellas Pharma, Inc., Tokyo, Japan	25.1.2014
	HBM Healthcare Investments Ltd, Zug	18.3.2016
3– 5 %	Red Rocks Capital LLC, Golden, USA	5.6.2014

## Information on shares

Swiss security number	1.262.725
German security number	984345
ISIN	CH 0012627250
CUSIP	H 3553X112
Telekurs	126,126272
SIX Swiss Exchange Ticker	HBMN
Internet	www.hbmhealthcare.com

## Board of Directors and Management

Hans Peter Hasler, Chairman
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman
Mario G. Giuliani, Member
Dr Eduard E. Holdener, Member
Robert A. Ingram, Member
Dr Rudolf Lanz, Member
Dr Benedikt Suter, Secretary
Dr Andreas Wicki, Chief Executive Officer
Erwin Troxler, Chief Financial Officer

## Investment Advisor

HBM Partners Ltd, Zug [www.hbmpartners.com](http://www.hbmpartners.com)

## Fees

Management fee (paid quarterly):
0.75% of Company assets plus
0.75% of the Company's market capitalisation
Performance fee (paid annually):
15% on increase in value above the high water mark
High water mark (per share for all outstanding shares):
NAV of CHF 141.70



## Credits

Editorial

HBM Healthcare Investments Ltd

Photography

Markus Bertschi, Getty Images, iStockphoto

Concept and realisation

Weber-Thedy Strategic Communication

Design

Küng Art Direction

Layout and print

Bader + Niederöst AG

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The Annual Report is published in English and German.

The German version is binding in all matters of interpretation.

