

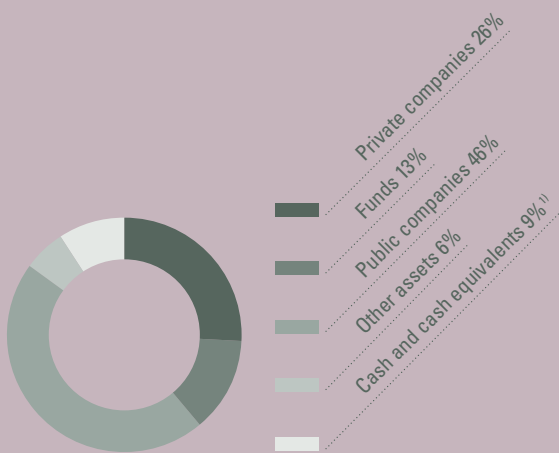
# 13



# At a Glance

**Profile** 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 twenty-five promising companies. Many of these companies have their lead products already available on the market or at an advanced stage of development. The focus of investment is on follow-

on financing for existing portfolio companies. These portfolio companies are closely tracked and actively guided in 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).



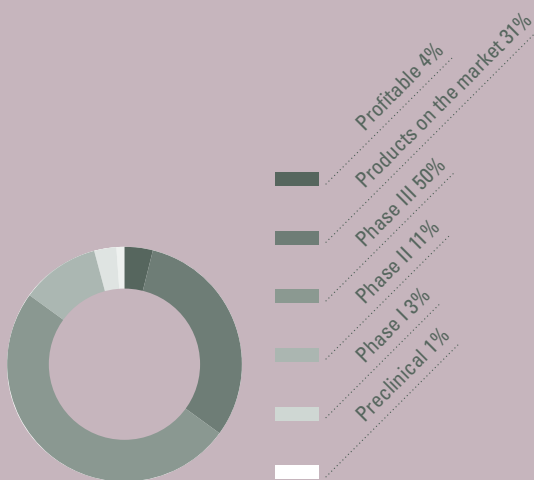
### Allocation of assets

Mainly invested in private companies with high value-creation potential.



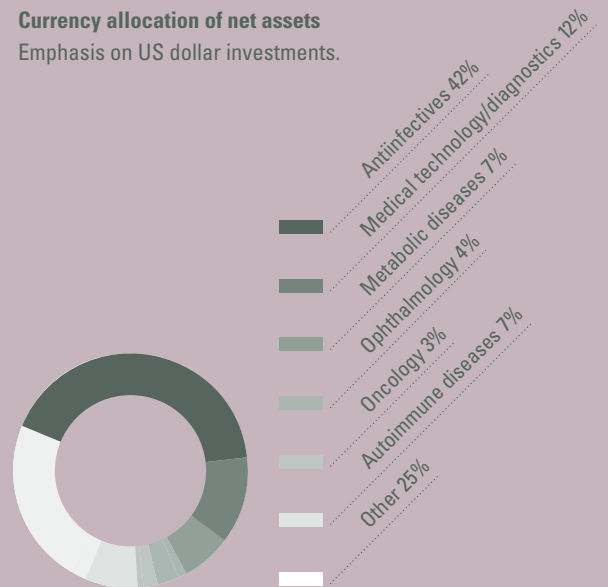
### Currency allocation of net assets

Emphasis on US dollar investments.



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

Largely invested in profitable companies or in companies with products available on the market.



### Therapeutic area of the lead products of portfolio companies<sup>2)</sup>

Broadly diversified areas of activity.

1) Incl. short-term receivables from sale of portfolio companies.  
2) Total investments as at 31.3.2013: CHF 512 million.

# Key Figures, Performance and the Ten Largest Investments

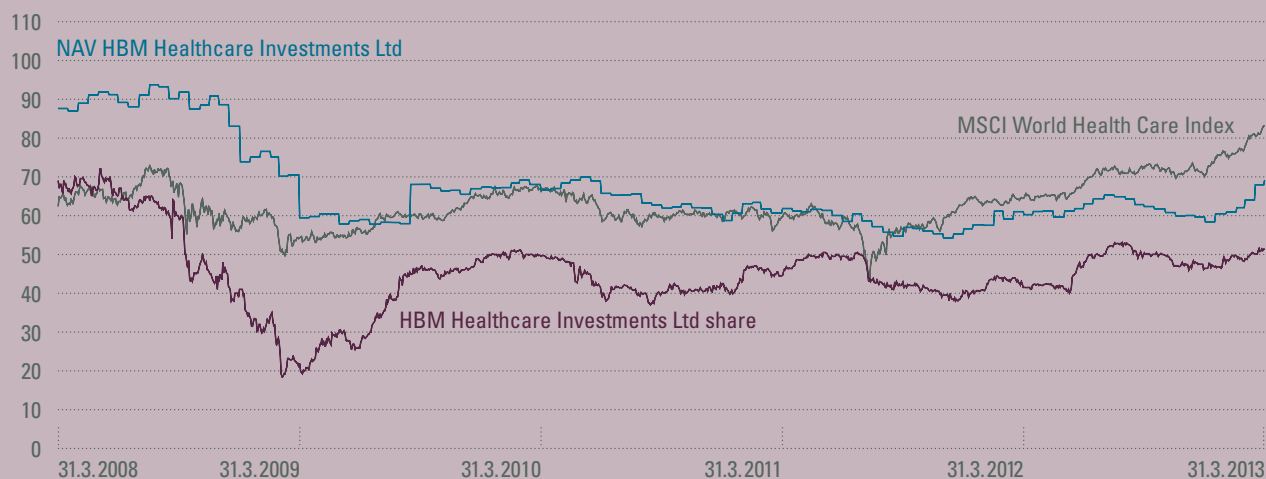
Key Figures		31.3.2013	restated 31.3.2012	restated 31.3.2011	restated 31.3.2010	31.3.2009
<b>Net assets</b>	CHF million	<b>601.0</b>	<b>546.4</b>	<b>593.2</b>	<b>666.1</b>	<b>618.9</b>
Investments in private companies		233.4	276.3	370.8	533.1	594.5
Investments in public companies		278.9	196.7	83.4	100.3	132.0
Cash and cash equivalents		51.7	41.2	155.4	128.9	65.6
<b>Net cash flow from investing activities</b>	CHF million	<b>33.2</b>	<b>-39.9</b>	<b>146.3</b>	<b>186.1</b>	<b>27.9</b>
<b>Net result for the year</b>	CHF million	<b>67.0</b>	<b>-22.2</b>	<b>-53.1</b>	<b>66.8</b>	<b>-312.9</b>
Basic earnings per share	CHF	7.52	-2.35	-5.39	6.46	-28.98
Net asset value (NAV) per share	CHF	68.35	60.40	61.56	65.94	58.80
Share price	CHF	51.35	41.50	44.60	49.50	22.00
<b>Discount</b>		<b>-24.9%</b>	<b>-31.3%</b>	<b>-27.6%</b>	<b>-24.8%</b>	<b>-62.6%</b>
Shares issued	Registered shares (m)	9.2	9.8	10.2	10.7	11.3
Shares outstanding	Registered shares (m)	8.8	9.0	9.6	10.1	10.5
<b>Total Expense Ratio (TER) p.a.<sup>1)</sup></b>		<b>2.25%</b>				

1) Of which 1.96% direct costs (management and administrative costs) and 0.29% pro rata indirect costs of funds.

Performance	Quarter	Current financial year	Since start of business (12.7.2001)
<b>HBM Healthcare Investments Ltd</b>			
Net asset value (NAV)	16.1%	13.2%	-30.9%
Registered share HBMN	10.7%	23.7%	-48.1%
<b>Relevant market index in Swiss francs</b>			
MSCI World Health Care Index	17.5%	28.7%	-17.0%

## Net asset value (NAV) and share price of HBM Healthcare Investments Ltd versus MSCI World Health Care Index

in CHF, indexed (12.7.2001 = 100)



**Profit** HBM Healthcare Investments generated an annual profit of CHF 67 million in 2012/2013.

**Success** Pacira's market valuation increased by 150 percent. HBM earned CHF 57 million.

**Transaction** Novartis acquired Vivacta. HBM received about 2.2 times its invested capital.

**IPO** The Enanta IPO issue price was 65 percent higher than HBM's cost value.

**Yield** The Board of Directors proposes a cash distribution of CHF 1.50 per share – a yield of 2.9 percent.

## **2 Significant Events** An overview of the most important trade sales and IPOs from the HBM Healthcare Investments portfolio during the 2012/2013 financial year.

## The transaction

Vivacta Limited, a privately held portfolio company of HBM Healthcare Investments, was acquired in December 2012 by Novartis (SIX: NOVN; NYSE: NVS) for USD 90 million.

This acquisition follows a successful collaborative relationship to assess Vivacta's piezofilm technology in the new area of near-patient drug monitoring.

## The influence on HBM Healthcare Investments

The transaction yielded about 2.2 times HBM Healthcare Investments' invested capital. This represents an annual return of 20 percent.

## The investment

HBM Healthcare Investments had invested a total of GBP 4.1 million in Vivacta since November 2007 and ultimately owned 17 percent of the company.

Enanta Pharmaceuticals develops drugs for the treatment of liver diseases, specifically the Hepatitis C virus. The company is also working on an antibiotic to fight bacterial resistance.

## The transaction

Enanta Pharmaceuticals (NASDAQ: ENTA), a private portfolio company of HBM Healthcare Investment, was successfully listed on the US NASDAQ exchange in March 2013. The company raised a total of USD 56 million by issuing 4 million shares at a price of USD 14 per share. The issue price was 65 percent higher than HBM Healthcare Investments' cost value. Enanta's share price jumped by 22.7 percent on the first trading day.

## The influence on HBM Healthcare Investments

Based on the closing share price on the first trading day, the net asset value (NAV) of HBM Healthcare Investments rose by CHF 1.05 per share.

## The investment

HBM Healthcare Investments had invested USD 7.7 million in Enanta Pharmaceuticals before the company went public, and participated in the IPO with an additional USD 9.3 million.

Vivacta Limited develops proprietary sensors and readers for rapid point-of-care testing. With the piezofilm technology, Vivacta has achieved an extremely high sensitivity and a wide dynamic range of new near-patient diagnostic products.

# Other positive events during the year under review

## Nabriva Therapeutics

The private portfolio company Nabriva Therapeutics signed in June 2012 an agreement for collaboration and option for sale of the company with Forest Laboratories (NYSE: FRX). Under the terms of the agreement, both companies will develop a novel class of antibiotics.

Forest paid USD 25 million to Nabriva and funds collaborative development activities. At the same time, Forest secured a purchase option for Nabriva for 12 months.

HBM Healthcare Investments has invested EUR 13.1 million in Nabriva and owns around 12 percent of the company.

Nabriva Therapeutics, located in Vienna, Austria, develops antibiotics for the treatment of serious bacterial infections. The lead product BC-3781 is intended to treat serious skin infections and bacterial pneumonia.

Basilea Pharmaceutica develops innovative drugs for the treatment of bacterial and fungal infections and for use in oncology. The company, headquartered in Basle, is listed on SIX Swiss Exchange (SIX: BSLN).

## Basilea Pharmaceutica

The public company is the biggest holding in HBM Healthcare Investments' portfolio. In June 2012, Basilea entered into a global agreement with Stiefel, a GlaxoSmithKline subsidiary. Under the agreement, Basilea transferred the worldwide rights for development, manufacturing, commercialisation and distribution of Toctino® (Alitreinoin) to Stiefel for an upfront payment of GBP 146 million. Basilea is also eligible for additional milestone payments of up to GBP 50 million and royalty payments in the low double-digit percentage of sales of Toctino® in the United States.

HBM Healthcare Investments has invested over CHF 100 million in Basilea and is its biggest shareholder with a participation of over 24 percent.



## SkyePharma

In July 2012, SkyePharma, a public portfolio company of HBM Healthcare Investments, received the approval from the European Commission for its asthma medication flutiform®.

SkyePharma develops and markets flutiform® in partnership with Mundipharma. Under the terms of the present agreement, SkyePharma is entitled to milestone payments, as well as royalty payments on sales. HBM Healthcare Investments holds almost 11 percent of the company.

SkyePharma has a large range of patented and proven drug delivery technologies for oral and inhalation drugs. The company has facilities in the UK, France and Switzerland and is listed on the London Stock Exchange (LSE: SKP).

Ophthotech develops and commercialises therapies for dry and wet age-related macular degeneration (AMD). AMD mostly affects people over 50 and is the leading cause of blindness in developed countries.

## Ophthotech

In June 2012, Ophthotech announced the results of a major clinical trial of its drug Fovista. The combined compound for the treatment of wet age-related macular degeneration (wet AMD) shows a statistically significant superior efficacy over the Lucentis® monotherapy. This blockbuster drug had almost USD 4 billion in sales in 2012. HBM has invested USD 16.5 million in Ophthotech since 2007, and holds about 15 percent of the company.



Aerial view, Zug

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

## Dear Shareholders

HBM Healthcare Investments can look back at a successful financial year, which closed with a profit of CHF 67 million. We have experienced solid operational growth at several of our holdings for some time, and with a certain delay this is now increasingly being reflected in rising valuations and thus also in the result. Net asset value (NAV) per share rose by 13 percent to CHF 68.35 during the reporting year, while the share price climbed by 24 percent to CHF 51.35. The HBM portfolio generated a positive contribution of CHF 78 million to the Company's overall result during the year just ended.

## Public companies

Pacira Pharmaceuticals successfully launched its long-acting analgesic Exparel™ on to the market. In response, the company's share valuation rocketed by 150 percent.

This contributed some CHF 57 million to HBM Healthcare Investments' profit for the year. The strong appreciation in the value of the investment, and the associated increase in its weighting compared with the other holdings in our portfolio, prompted the decision to sell around a third of our position in Pacira.

The Basilea Pharmaceutica share price rose by 14 percent during the reporting year. This move somewhat reduced the company's undervaluation. Basilea sold the global rights of Toctino® to GlaxoSmithKline. The deal brought in CHF 216 million in cash, plus entitlement to a further CHF 74 million, and royalty payments on future sales revenues in the USA. This swelled Basilea's cash coffers to CHF 344 million. In view of the company's promising pipeline, with products shortly before approval and in phase-III development, the current market capitalisation of CHF 550 million is still very moderate, however.

Progress on clinical development programmes increased the market capitalisation of Chemo-Centryx by just under 30 percent. Among other factors, in the second half of 2013 the company is expecting data from a clinical phase-II study of its active agent candidate CCX140, to treat chronic kidney disease. If the data are positive, this active agent candidate would be a potential blockbuster.



**"Private companies with strong growth in the healthcare sector offer interesting investment opportunities at attractive valuations."**

Hans Peter Hasler, Chairman

Swedish Orphan Biovitrum (SOBI) published positive results from a phase-III trial of a drug, developed in association with Biogen Idec, to treat the blood disorder haemophilia B. SOBI's share price rose by 87 percent on the strength of this data.

### **Private companies and funds**

The holding in Lux Biosciences had to be value adjusted in full at the end of December, resulting in a CHF 22 million charge. An unexpectedly high placebo response rate meant that the outcome of a phase-III trial of the drug candidate Luveniq™, to treat non-infectious uveitis, failed to confirm the findings of a previous study. The company will now be dissolved and its remaining assets distributed to shareholders.

PTC Therapeutics concluded a major financing round for a total of over USD 60 million with a syndicate of new investors, led by Brookside Capital Partners. The conditions which apply resulted in the book value of our holding being corrected downward by CHF 10 million. HBM Healthcare Investments is still of the opinion that PTC's lead product, Ataluren, has a high chance of success and offers significant value generation potential. We therefore maintained our percentage shareholding in the company during this latest financing round.

The IPO of Enanta Pharmaceuticals went ahead with a pleasing result. The company is working in partnership with AbbVie and Novartis to develop promising drugs to treat Hepatitis C. Going public netted USD 56 million in new capital for Enanta, at a price-per-share that was 65 percent higher than the book value of our holding. The IPO increased the value of this existing holding in the company by CHF 5 million, and HBM Healthcare Investments put another CHF 9 million into Enanta as part of its market launch. Enanta's share price rose by another 30 percent after trading began. The investment in Enanta thus contributed CHF 11 million to our overall result.

The British diagnostics company Vivacta was sold to Novartis for just over double the capital originally invested. The deal generated a profit of CHF 7 million for HBM Healthcare Investments.

The position in Tensys Medical, in which HBM Healthcare Investments holds 100 percent of voting rights, is no longer consolidated following a change to IFRS financial reporting standards for investment companies. It is now carried under "Investments" at its fair value. This increased the net asset value of our Company by CHF 10 million. The IFRS rules require the amendment to be applied retrospectively, which necessitated a restatement of the prior-year figures.

The fund portfolio delivered a positive performance of CHF 6 million and was cash flow neutral, as expected. Liquidity inflows totalling CHF 14 million were set off against capital drawdowns of the same amount.

### Sound financial position allows us to seize opportunities in the healthcare sector

HBM Healthcare Investments has a solid financial foundation, with no borrowed capital, and cash and cash equivalents of CHF 52 million. The many trade sales and IPOs among our holdings have increased the proportion of our investments accounted for by listed companies to 46 percent. By contrast, the proportion of direct investments in privately held companies has declined to 26 percent. Future trade sales and IPOs will further reduce the proportion of holdings in private companies. However, HBM Healthcare Investments' investment strategy foresees for the majority of the capital to be invested in private companies. Steps must therefore be taken to restock the private company share of the portfolio.

The prospects for the healthcare sector remain good, and share prices have risen – sometimes sharply – over the past twelve months. Meanwhile, private companies continue to offer interesting investment opportunities at attractive valuations. With its sound balance sheet structure and financial strength, HBM Healthcare Investments has the necessary flexibility to undertake further investments in companies which already form part of our portfolio, as well as first-time investments in new holdings.



**“The HBM portfolio made a positive contribution of CHF 78 million to the result for the reporting year.”**

*Dr Andreas Wicki, Chief Executive Officer*

### Shareholder-friendly distribution policy, share buy-backs, and investments

The Board of Directors will propose to the shareholders' meeting of 21 June 2013 that shareholders should receive a cash distribution of CHF 1.50 per share in the form of a par value repayment. Based on the current share price, this corresponds to a yield of 3 percent.

Furthermore, some 266,000 of the Company's own shares (2.9 percent of all issued shares, worth a total of CHF 13 million) were repurchased during the year just ended under the current share buy-back programme via a second trading line. The average repurchase price of CHF 48.34 represents a discount of 29 percent on net asset value at end-March 2013.

HBM Healthcare Investments intends to continue this distribution and buy-back policy in the years to come. Depending on annual results and the liquidity situation, and subject to approval by shareholders, the combination of cash distributions and share buy-backs shall return about five percent of net assets to shareholders each year.

In the summer of 2009, HBM Healthcare Investments notified shareholders that it would not make any further investments in private companies until the average discount in the share price compared with average net asset value (NAV) per share was less than 15 percent for a continuous three-month period. The Company has since upheld this principle, and repurchased 1,763,000 of its own shares at a total price of CHF 79.5 million since September 2009. When this figure is added to that for the 2008 share buy-back programme, the total is as high as 2,326,000 shares, for CHF 103.7 million. This corresponds to just under 21 percent of our original free float.

HBM Healthcare Investments has also strengthened investor relations. As a result, more than 40 percent of the Company's outstanding shares have been bought by existing and new shareholders. The share price discount compared with net asset value has more than halved since 2009. It stood at an average of 22 percent during the reporting year, because despite the pleasing growth in NAV, there are still shareholders who are willing to sell at a high discount. We expect that the discount will contract further in response to the announced cash distribution, continued share buy-backs, the participation of new shareholders, and the anticipated successes on the business front.

It has emerged in talks with our shareholders that the great majority support these measures, although they very much expect that we will invest a portion of disposable liquidity, in accordance with the Investment Guidelines, in new private companies which are a good fit with the existing portfolio. The Board of Directors has therefore decided that, irrespective of the level of any discount between the share price and NAV, HBM Healthcare Investments will once again invest in selected private companies that do not form part of the present portfolio. The focus will no longer be on venture capital financing, but rather on companies with strong growth and predictable business development. There are a variety of interesting investment opportunities open to HBM Healthcare Investments in this segment, a small and selected number of which have been examined in greater detail over the past twelve months. We will continue to manage our existing portfolio, and investments in new public companies, as we have done to date. A portion of disposable assets will still be held in the form of liquidity, so that we are able to honour short-term commitments at all times.



**“We intend to return around five percent of net assets to shareholders each year through cash distributions and share buy-backs.”**

Erwin Troxler, Chief Financial Officer

### Amendments to the management agreement

The Board of Directors of HBM Healthcare Investments has agreed with its investment advisor HBM Partners to extend the management agreement from 1 April 2014. The management fee will remain unchanged at 1.5 percent per year, but will now be calculated in equal parts on the basis of company assets and market capitalisation (previously four-fifths on the basis of company assets and one-fifth on the basis of market capitalisation). This new formula takes even greater account of shareholder interests. The high water mark for the calculation of the performance fee remains unchanged at CHF 107.71 (CHF 106.21 when the proposed par value repayment is factored in). The agreement will initially have a fixed term up to 30 June 2015. If not terminated, it will continue to run automatically for further periods of twelve months each.

### Confident outlook

HBM Healthcare Investments firmly believes that the portfolio continues to enjoy an excellent position, and will generate significant added value over the years to come. This will result in considerable inflows of liquidity. It is pleasing to see that many of our portfolio companies' products and candidates are reporting rising sales, or are moving ever closer to approval and market launch. This increases their chances of success, and permits more accurate projections.

Hans Peter Hasler  
Chairman of the Board of Directors

Dr Andreas Wicki  
Chief Executive Officer

Erwin Troxler  
Chief Financial Officer

# 12 Portfolio Companies and their Markets

Brief profiles of the ten largest investments in the HBM Healthcare Investments portfolio.



## Private companies

	Fair value (CHF m)	As % of net assets
Cathay Industrial Biotech	26.6	4.4 %
PTC Therapeutics	21.0	3.5 %
Interventional Spine	16.1	2.7 %
Nabriva Therapeutics	15.9	2.6 %
Ophthotech	15.6	2.6 %
Tensys Medical	9.4	1.6 %

## Public companies<sup>P)</sup>

Basilea Pharmaceutica	137.7	22.9 %
Pacira Pharmaceuticals	61.2	10.2 %
ChemoCentryx	25.3	4.2 %
Enanta Pharmaceuticals	24.9	4.1 %

P) All positions originate from the private companies portfolio.

# Cathay Industrial Biotech



Domicile	Shanghai, China
Development phase	Products on the market
Amount invested (m)	USD 28.0
Fair value (m)	USD 28.0
Ownership	12.6 %
As % of net assets	4.4 %
Board member	William Keller

## Cathay Industrial Biotech

Cathay Industrial Biotech was HBM Healthcare Investments' first investment in China. The company replaces traditional chemical production methods with novel biotechnological processes. Cathay is the acknowledged market leader in the biotechnological production of dicarboxylic acids for various branches of industry, such as the automobile and consumer goods sectors. Principal clients include international companies such as DuPont, Evonik and Akzo Nobel. For example, Cathay is one of the biggest suppliers of special nylons for the production of toothbrush bristles. Cathay has also established a facility in northeast China for the large-scale biotechnological production of biobutanol from maize. Biobutanol serves as a biofuel and as a substitute for conventionally produced chemicals. The current financial year will see Cathay invest in the expansion and the development of dicarboxylic acid production. A pilot production plant for the biotechnological production of diamines is also under construction. In combination with dicarboxylic acids, these will be used to produce "green nylon" by completely biotechnological means. Last year, Cathay achieved revenues of around USD 145 million in its core business areas. In the medium term, the company is targeting an IPO on an international stock exchange to fund its future growth.

## Industrial biotechnology

Industrial biotechnology uses biotechnological methods for industrial production processes, such as the production of organic materials and additives for the chemical, manufacturing, food and agricultural industries. Bacteria, yeasts or enzymes are deployed in biological and biochemical processes. Industrial biotechnology aims at replacing conventional industrial production with novel biotechnological methods to decrease the amount of energy and raw materials used, reducing costs while creating environmental benefits. Industrial applications have also benefited from major advances in the development of biotechnological methods. The industry is a growth market with great potential.

Cathay Industrial Biotech produces speciality chemicals, among other things, for the production of "green nylon" by completely biotechnological means.

Domicile	South Plainfield, NJ, USA
Development phase	Phase III
Amount invested (m)	USD 34.1
Fair value (m)	USD 22.1
Ownership	12.6%
As % of net assets	3.5%
Board member	Axel Bolte

## Orphan diseases

Orphan diseases are those which affect fewer than 200,000 patients within a given territory, e.g. the United States. Examples of these conditions, which in many cases have a genetic root, include cystic fibrosis (mucoviscidosis), bleeding disorder (haemophilia) and congenital muscular dystrophy in children. The development of new treatments for these often very serious or even life-threatening diseases is supported by a number of initiatives, including among other things less stringent licensing terms in Europe and the United States. The great medical and social value of treatment options in this area is also reflected in relatively high medication prices. This allows biotechnology companies to develop drugs for these comparatively small groups of patients profitably.

## PTC Therapeutics

Based on a proprietary technology platform, PTC Therapeutics develops drugs for the treatment of rare genetic disorders. The most advanced drug candidate – Ataluren – has completed clinical phase III studies on patients with nonsense mutation Duchenne/Becker Muscular Dystrophy (nmDBMD). In Europe, the application for regulatory approval of Ataluren was filed at the end of 2012. The decision on approval is expected within twelve months. In the US, a confirmatory phase III study was started after talks with the US Food and Drug Administration (FDA). PTC owns all marketing rights globally. In about 10 to 15 percent of children suffering from muscular dystrophy, the disease's cause is found in a nonsense mutation (nmDBMD) where Ataluren is able to provide relief. Studies on the use of the compound against cystic fibrosis were completed. The submission of the approval dossier to the European Medicines Agency (EMA) is imminent. Treatment with Ataluren addresses about 5 to 10 percent of all cystic fibrosis patients, which translates to a market potential of several hundred million dollars, if approval is granted. The market potential for such therapies can be significant as there is a high unmet medical need, no previously approved therapies, and as a consequence high demand for such products.



There are still no effective therapies for many rare diseases. PTC Therapeutics has taken up this challenge.



**Orthopaedics – back pain**

In Central Europe between a quarter and half of the population complains of back pain. This results in frequent visits to the doctor, absences from work and disability pensions. The diagnosis is often difficult. Although the pain can usually be attributed to illness or wear-related disorders of intervertebral discs and the joints of the spine, the precise cause of chronic back pains can only be explained medically for a minority of patients. Therefore, treatment options span a broad spectrum, ranging from painkillers, massage and acupuncture to surgery. Early detection and prevention are thus gaining an increasingly important role in orthopaedics.

# Interventional Spine

Domicile	Orange County, CA, USA
Development phase	Products on the market
Amount invested (m)	USD 18.0
Fair value (m)	USD 17.0
Ownership	31.4 %
As % of net assets	2.7 %
Board member	Dr Thomas Thaler

**Interventional Spine**

Interventional Spine develops, produces and distributes implants and the related application instruments for the treatment of back pain. All Interventional Spine products are implanted in a minimally invasive procedure through incisions of only 10 to 15 mm in length. This eases treatment and shortens convalescence, thereby lowering costs. During the past year, the company has increased its focus on products for the fusion of the vertebrae. Approved in Europe and in the United States, the PerX360 system is already generating sizeable sales. It features a unique implant (Interbody Cage) that is inserted densely folded with a special instrument through a lateral, nerve and tissue-friendly access. Once in the vertebral body, it is expanded and placed definitely. Thus, the procedure is further simplified, safer and less invasive. Outside the United States, Interventional Spine also markets products for the dynamic stabilisation of the vertebrae. The percutaneous operation technique, combined with the patented fixation technique, access instruments and implants, reduces the duration of intervention while ensuring optimum mechanical stability and shortening the patient’s hospitalisation and convalescence.

Interventional Spine is a specialist in the treatment of back pain with minimally invasive implants to stabilise the spine.



## Multidrug-resistant pathogens

Multidrug-resistant pathogens cannot be fought by conventional antibiotics, which is a serious hazard for health facilities. The available drugs often have reduced effectiveness and the potential for significant side effects. Thousands of deaths in hospitals are caused by resistant pathogens. The pathogens are mostly a product of biological evolution, having survived previous antibiotic therapies through mutations, and then further multiplied. In addition, certain disinfectants and cleaning agents prompt resistance. Such resistance develops primarily at sites where antibiotics are frequently used, i.e. in hospitals. MRSA (methicillin-resistant staphylococcus aureus) is the most well-known pathogen with multiple drug resistance. Recent US government initiatives give high priority to the development of new antibacterial drugs which are active against resistant pathogens. With rising market appeal, the interest of the pharmaceutical industry in antibiotics that fight multidrug-resistant bacteria is expected to increase in the foreseeable future.

## Nabriva Therapeutics

A spin-off from Sandoz, Nabriva develops a novel class of antibacterial drugs for the treatment of life-threatening bacterial infections. The so-called pleuromutilins inhibit protein synthesis in bacteria. Their antibacterial profile does not show any cross-resistance with other classes of antibacterial drugs. Nabrivas' pleuromutilins target an important medical need for new drugs able to treat serious infections caused by multidrug-resistant bacteria. The most advanced drug candidate, BC-3781, is in development for the treatment of severe skin infections, as well as pneumonia, caused by MRSA or other antibiotic-resistant bacteria.

Domicile	Vienna, Austria
Development phase	Phase II
Amount invested (m)	EUR 13.1
Fair value (m)	EUR 13.1
Ownership	11.9 %
As % of net assets	2.6 %
Board member	Axel Bolte

Nabriva aims to develop new antibiotics that protect patients against resistant pathogens.

## Diseases of the retina

An increasing number of older people suffer from a disease of the retina known as macular degeneration. This is the most common cause of age-related blindness in developed countries. Worldwide, some 25 to 30 million people are affected, and 500,000 new cases are added each year. Macular degeneration has different causes and variations, but all affect the retina and lead to a gradual loss of vision through to blindness. By far the most common form is age-related macular degeneration (AMD). A distinction is made between the more serious wet AMD and the dry form. Alongside smoking and genetic predisposition, age is the biggest risk factor. New drugs mitigate the loss of vision caused by the disease. As a result, the majority of patients under therapy stabilise and many patients even experience improved vision.

Domicile	Princeton, NJ, USA
Development phase	Phase II
Amount invested (m)	USD 16.5
Fair value (m)	USD 16.5
Ownership	15.1%
As % of net assets	2.6%
Board member	Axel Bolte

## Ophthotech

Ophthotech is specialised in the clinical development of drugs for the treatment of severe disorders of the retina. Its product development aims at a significant market potential, which is further boosted by demographic trends. The company focuses on the widespread age-related macular degeneration (AMD). The most advanced drug candidate Fovista, an anti-PDGF aptamer, has been tested successfully in patients in a global phase II study in combination with Lucentis®. The combination showed 62 percent higher effectiveness than monotherapy with Lucentis® alone. Experts regard these results as a clinical breakthrough. This combination has the potential to become the new standard of care in the treatment of wet AMD. Today, treatment with Lucentis® (Roche / Novartis) and treatment with Eylea® (Regeneron / Bayer) are the standard of care for AMD. Ophthotech's breakthrough is expected to generate significant interest among large pharmaceutical companies. The annual worldwide market volume for the treatment of wet AMD today amounts to about USD 5 billion.



Ophthotech develops drugs for serious diseases of the retina in the elderly, preventing blindness where treatment is successful.



## Intelligent hemodynamic patient monitoring

Adequate monitoring of cardiovascular functions in patients during surgery and in the intensive care unit for critically ill patients is an integral part of goal-oriented treatment. The early detection of cardiovascular malfunctions allows rapid treatment decisions, which is reflected in lower complication rates. A clear trend is evident away from invasive and selective measurement towards continuous and non-invasive data collection. This considerably reduces the risks of infection, reduces costs and simplifies handling. As several parameters need to be monitored at the same time, patient monitoring is becoming increasingly complex and demanding. Intelligent systems support the medical staff with optimum analysis and presentation of the relevant parameters.

## Tensys Medical

Tensys Medical develops, manufactures and distributes products for the continuous non-invasive monitoring of cardiovascular functions. Using patented technology, the pulse pressure curve is monitored continuously ("beat-to-beat") to derive and analyse the essential hemodynamic parameters. An optimal display of measured values and trends on a user-friendly monitor supports the medical staff's decision-making. Tensys' products are deployed in the operating room, intensive care unit, emergency department and in electrophysiological laboratories, and to date have been used with more than 50,000 patients. Various publications in renowned scientific journals showed that Tensys' non-invasive measurement system is equal to the invasive method by puncturing the artery in the forearm. Tensys' system consists of a monitor, data acquisition bracelet, sensor and disposable placement assistance, and is marketed in the US and in Europe. Recently, Tensys concluded a 5-year contract with a minimum volume of USD 40 million with a Chinese distributor.

Domicile	San Diego, CA, USA
Development phase	Products on the market
Amount invested (m)	USD 10.0
Fair value (m)	USD 10.0
Ownership	100%
As % of net assets	1.6%
Board member	Dr Thomas Thaler

Tensys Medical's devices for a continuous non-invasive measurement of blood pressure during surgery increase patient safety.

# Basilea Pharmaceutica



## Infectious diseases

Infectious diseases can be caused by different types of pathogens, including bacteria, fungi or viruses. The spectrum of diseases ranges from the common cold to acute, life-threatening infections. Older people and patients with a weakened immune system, e.g. because of cancer or following organ transplantation, are particularly susceptible to serious infections. Although targeted treatments already exist to fight many pathogens, such as different antibiotics against bacterial infections, there is a constant need for new and highly effective drugs. This is also because the resistance that pathogens develop continuously increases their immunity to existing drugs.

The formulations of Basilea fight serious infectious diseases and protect against harmful bacteria, fungi and viruses.

Domicile	Basle, Switzerland
Development phase	Products on the market/ listed on SIX Swiss Exchange
Market capitalisation (m)	CHF 551
Fair value (m)	CHF 137.7
Ownership	24.97%
As % of net assets	22.9%

## Basilea Pharmaceutica

Basilea Pharmaceutica develops and markets drugs to treat bacterial and fungal infections, and cancer. Its primary value drivers are isavuconazole and ceftobiprole. Isavuconazole, a broad spectrum antifungal, is in the last phase prior to approval and has the potential to become the preferred therapy. In 2010, Basilea signed a licensing agreement with Astellas Pharma for isavuconazole. The company received an upfront payment of CHF 75 million and is entitled to milestone and royalty payments. The first phase III data relevant for the approval is expected in the coming months. Ceftobiprole is a broad-spectrum antibiotic. In autumn 2012, the dossier for the approval of ceftobiprole for hospital-treated pneumonia in the European market was accepted by the EMA. An approval could still be obtained in the current year. A conclusion of talks with the FDA regarding the next steps for market approval in the United States is expected in 2013. At the same time, partnerships for the marketing of the product are being evaluated. In June 2012 Basilea sold Toctino<sup>®</sup>, a drug for the treatment of severe chronic hand eczema, to GlaxoSmithKline (GSK). GSK is currently preparing an approval dossier for the US market whereby market launch in 2014 is still possible. Basilea received an upfront payment of CHF 225 million, as well as rights to milestone and royalty payments, as soon as the drug is approved and sold in the United States. Another antibiotic and a novel cancer therapy are in the early phases of clinical development. After the sale of Toctino<sup>®</sup> to GSK, Basilea has enough liquidity to spur on the development of its product portfolio. The share price increased by 14 percent during the period under review.



Domicile	San Diego, CA, USA
Development phase	Products on the market/ listed on NASDAQ
Market capitalisation (m)	USD 943
Fair value (m)	USD 64.5
Ownership	6.8%
As % of net assets	10.2%
Board member	Dr Andreas Wicki

## Pharmacokinetics

Even the best drug helps only if the right dosage can be delivered to the right place for the entire duration of the treatment. Pharmacokinetics studies the processes underlying what happens to a drug in the body. This entails absorption into the bloodstream, distribution within the body, metabolic processing – biochemical conversion and degradation by the metabolism – and finally elimination. Pharmacokinetics is now a separate branch of science supplying important information for the optimum formulation and dosage of drugs. The challenge is largely to ensure an ideal dosage.

## Pacira Pharmaceuticals

Pacira Pharmaceuticals, a company listed on the US NASDAQ exchange, introduced in April 2012 Exparel™ to the American market. Exparel™ is a new formulation of the tried and tested painkiller Bupivacaine and provides long-lasting, locally effective post-operative pain control. This can significantly reduce the administration of opiates to patients, post-operative leading to fewer side effects and substantial cost savings. In the first nine months following Exparel™'s marketing approval, Pacira achieved sales of USD 15 million in the US. Analysts foresee top sales to exceed USD 300 million. Due to high demand, Pacira is expanding its production capacity. Exparel™ is based on Pacira's patented DepoFoam® platform. The DepoFoam® technology's controlled and long-lasting drug delivery reduces patients' pain and side effects. In addition to Exparel™, Pacira also produces DepoCyt® for the treatment of meningitis (meningeosis lymphomatosa). Pacira also offers its technology to third parties in return for success fees and royalty payments. Pacira's share price increased 150 percent during the reporting period. Since the IPO in February 2012 until end of March 2013 the share has more than quadrupled.



The technology of Pacira improves existing drugs and allows for example a long-lasting and targeted pain relief after surgery.



## Autoimmune diseases

The role of the immune system is to protect the body from foreign substances. This biological immune system destroys microorganisms and pathogens invading the body. For it to do so, it is crucial that the body can distinguish between its own and foreign tissues. In 1900, the German microbiologist Paul Ehrlich was the first to recognise this "immune tolerance", which prevents the body from destroying its own functional cells. In autoimmune diseases, this tolerance is incomplete and the immune system mistakenly marks the body's own cells as foreign bodies to be removed. Signalling proteins (chemokines) incorrectly tell the immune system that inflammation is present and lure immune cells to the marked tissue. This results in severe inflammation and damage to the affected organs.

ChemoCentryx develops therapies for inflammatory diseases, providing punchy support to the body's immune system.

Domicile	Mountain View, CA, USA
Development phase	Phase III/ listed on NASDAQ
Market capitalisation (m)	USD 508
Fair value (m)	USD 26.7
Ownership	5.2%
As % of net assets	4.2%

## ChemoCentryx

ChemoCentryx is known as the world's leading specialist in chemokines, a class of signalling proteins. These provide important starting points for diversified drug development programmes in the major markets of autoimmune and inflammatory diseases and cancer. In 2010 ChemoCentryx concluded a partnership agreement with GlaxoSmith-Kline (GSK) for the development of several product candidates. Two of these candidates, Vercirnon® and CCX354 are well advanced. Vercirnon® is in several phase III trials with patients suffering from Crohn's disease, a chronic inflammatory bowel disease. First phase III data on Vercirnon® is expected before year-end. CCX354 is in phase II trials with patients suffering from rheumatoid arthritis. With CCX140 ChemoCentryx also brought a new active compound for the treatment of patients with diabetes-induced renal failure to phase II. ChemoCentryx's chemokine technology platform is among the best of its kind, and the company possesses a diversified and generally well advanced range of drug candidates in clinical development. According to the unanimous opinion of analysts, all compounds mentioned here have blockbuster potential because all aim at big pharmaceutical markets. ChemoCentryx listed on the NASDAQ exchange in February 2012. Since then until end of March 2013, its share price increased by almost 40 percent. In the period under review, the total increase was nearly 30 percent.

Domicile	Watertown, MA, USA
Development phase	Phase III listed on NASDAQ
Market capitalisation (m)	USD 306
Fair value (m)	USD 26.2
Ownership	8.6%
As % of net assets	4.1%

## Viral liver infection (hepatitis C)

Hepatitis is a viral infection of the liver. Frequently the hepatitis C virus (HCV) triggers the condition. The virus is typically passed on through contact with the blood or other body fluids of an infected person. The hepatitis C virus is the major cause of chronic liver disease, including cirrhosis, cancer and organ failure. It is the most common cause of death from liver disease in the United States. The disease is usually chronic and develops over a period of 20 to 30 years, with the majority of infected people having no symptoms. Worldwide, approximately 150 million people are chronically infected with the hepatitis C virus, and thus have an increased risk of liver cirrhosis and liver cancer. Over 350,000 people die each year from hepatitis C liver disease. Currently approved therapies have limited effectiveness as well as side effects. There is a large market potential for new and improved therapies. Recent positive development results give rise to confidence that the future will bring greater efficacy and tolerability in the treatment of the disease. Together with improved diagnostic capabilities and more diagnosed patients, the worldwide market of currently around USD 3.5 billion could grow to over USD 10 billion.

## Enanta Pharmaceuticals

Enanta develops drugs against infectious diseases. The biotech company is most advanced in the fight against the hepatitis C virus. In this, Enanta pursues four different approaches. All of them do without pegylated interferon, which means the drug will be available orally in tablets instead of by injection, a major improvement compared to today's standard treatment. The most promising product candidate, ABT-450, is being developed together with AbbVie, the pharmaceutical spin-off from Abbott Labs, and is the subject of several clinical phase II and phase III trials. Under the agreement, AbbVie owns all distributions rights worldwide, and bears all development costs. In return, Enanta receives substantial milestone payments and the right to sales-based royalties. Moreover Enanta has a cooperation agreement with Novartis for another candidate, and two own programmes. Enanta also develops novel antibiotics against resistant bacteria, especially MRSA infections. In March 2013 Enanta's IPO on NASDAQ was successful. Since the listing until end of March 2013, the company's share price increased by 30 percent.



With four different development programmes Enanta has the right tools to find a drug against the hepatitis C virus.

# 24 Corporate Governance Disclosures on Group and capital structure, share- holders and shareholder rights, as well as on HBM Healthcare Investments' Management, Board of Directors and Auditors.

## Introduction

HBM Healthcare Investments Ltd (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 Investments Ltd.

## 1. Group structure and shareholders

### 1.1 Group structure

HBM Healthcare Investments ("the Group") is invested globally in mature companies in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. The Group comprises HBM Healthcare Investments Ltd, Zug, and its wholly owned subsidiary HBM Healthcare Investments (Cayman) Ltd, Cayman Islands.

### HBM Healthcare Investments Ltd

HBM Healthcare Investments Ltd 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 74.

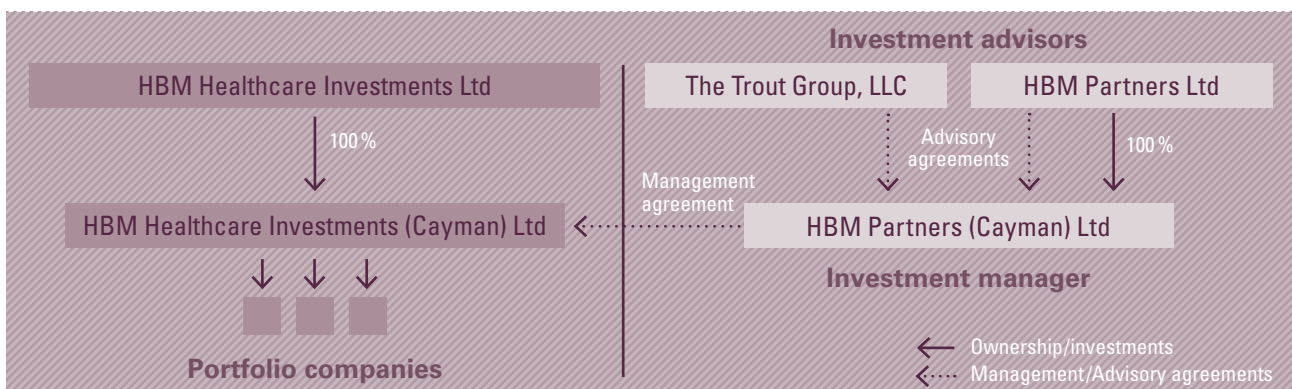
### HBM Healthcare Investments (Cayman) Ltd

All investments in portfolio companies are held via HBM Healthcare Investments (Cayman) Ltd.

The share capital of HBM Healthcare Investments (Cayman) Ltd was CHF 846 million as at 31 March 2013.

Assets held by the subsidiaries HBM Biomedicine (Cayman) Ltd and HBM Biomed China Ltd, both based in the Cayman Islands, as well as HBM BioVentures (Barbados) Ltd and HBM BioVentures International Ltd, both based in Barbados, were transferred to their parent company HBM Healthcare Investments (Cayman) Ltd. The companies are in liquidation. The position in Tensys Medical Inc, in which HBM Healthcare Investments (Cayman) Ltd, Cayman Islands, holds 100 percent of the capital and voting rights, is no longer consolidated but reported at fair value through profit or loss in the Consolidated Financial Statements in accordance with IAS 39 "Financial Instruments", based on the early application of the amended provisions under IFRS 10 "Consolidated Financial Statements".

## Group structure with major subsidiaries



## 1.2 Investment manager and investment advisors

The role of the investment manager for HBM Healthcare Investments (Cayman) Ltd is performed by HBM Partners (Cayman) Ltd.

### HBM Partners (Cayman) Ltd

HBM Partners (Cayman) Ltd of the Cayman Islands fulfils the role of investment manager and provides a variety of services to HBM Healthcare Investments (Cayman) Ltd and its subsidiaries under the terms of the management agreement.

HBM Partners (Cayman) Ltd has delegated the provision of certain advisory services to HBM Partners Ltd and to The Trout Group, LLC.

### HBM Partners Ltd and The Trout Group, LLC

HBM Partners Ltd, based in Zug, Switzerland, and The Trout Group, LLC, based in New York, USA, provide defined advisory services as European and North American investment advisors respectively for HBM Partners (Cayman) Ltd. They are particularly active in identifying and evaluating possible investment targets, in monitoring existing investments and in evaluating and assessing potential exit strategies.

## 1.3 Significant shareholders

As at the balance sheet date, the Company had 800 registered shareholders. Shareholders are institutional and private investors.

For details on shareholders with equity holdings of three percent or more, see note 6.2 to the Consolidated Financial Statements on page 58.

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/be->

[deutende-aktionaere.php](http://www.hbmhealthcare.com/en/investoren/be-deutende-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 the share capital

The Company's share capital of CHF 552,000,000 consists of 9,200,000 fully paid-up registered shares with a par value of CHF 60 each. No share certificates are issued.

A review of the Company's changes in capital since 31 March 2010 is provided in the parent company's "Development of shareholders' equity"; see page 69.

### 2.2 Rights attached to shares

Each registered share carries one vote at the Ordinary Shareholders' Meeting. There are no shares which carry preferential voting rights. Shareholders are entitled to dividends and to other rights as set forth 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 10 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 on 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 shares represented at the Ordinary Shareholders' Meeting.

### 3. Board of Directors

#### 3.1 Members of the Board of Directors

As at 31 March 2013, the Board of Directors was composed of the following members:

Board of Directors	First elected	End of term
Hans Peter Hasler, Chairman	2009	2015
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	2001	2014
Mario G. Giuliani	2012	2015
Dr Eduard E. Holdener	2008	2014
Robert A. Ingram	2006	2015
Dr Rudolf Lanz	2003	2015

Specific expertise in the pharmaceutical and biotechnology sectors 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, including production, audit; Dr Rudolf Lanz: finance, M&A transactions, audit.

The members of the Board of Directors are elected individually for a maximum three-year term of office, up to the Ordinary Shareholders' Meeting of the year in question. They may be reelected. Further information on the members of the Board of Directors is given on pages 32 to 34.

#### 3.2 Internal organisation

The Board of Directors constitutes itself. It appoints the Chairman and the Vice Chairman, as well as a Secretary, who does not necessarily have to be a member of the Board of Directors. Meetings of the Board of Directors 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 take part in a Board meeting. No quorum is required for resolutions regarding statements on capital increases that have already taken place. Resolutions may also be passed in writing or by telephone conference without a meeting of the Board of Directors being held. Circular resolutions must be unanimous in order to be valid.

Four half-day meetings and one telephone conference of the Board of Directors took place during the 2012/2013 financial year. The Company's Chief Executive Officer and Chief Financial Officer also attended all Board meetings.

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

#### Audit Committee

	First elected to the committee	End of term
Prof. Dr Dr h.c. mult. Heinz Riesenhuber	2001	2014
Dr Rudolf Lanz	2003	2015

The Audit Committee held three half-day meetings and three telephone conferences during the 2012/2013 financial year. In addition, the meetings were all attended by the Company's CEO and CFO, as well as by Thomas Heimann, in his capacity as the Audit Committee's secretary and financial controller. 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.

#### Nominating Committee

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

#### Nominating Committee

	First elected to the committee	End of term
Dr Rudolf Lanz	2008	2015
Robert A. Ingram	2008	2015

The Nominating Committee held one meeting during the 2012/2013 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 that are not the preserve of or delegated to another governing or executive body under the law, by the Company's articles of association or its organisational regulations.

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 annual report and the annual consolidated, statutory and interim financial statements;
- > examining the reports produced by the statutory auditors.

The members of the Board of Directors do not hold executive positions, and no member of the Board of Directors has 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 the 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 page 37;
- > the Operations Manual, which governs the investment and disposal processes and the monitoring of portfolio companies;
- > guidelines on own-account trading;
- > guidelines on trading by members of staff in the Company's own shares.

#### **Guidelines on own-account trading**

The Company has issued restrictive guidelines for members of HBM Healthcare Investments' governing bodies regarding share transactions for their own accounts. These guidelines also apply to HBM Partners Ltd and its subsidiaries ("HBM Partners") and staff, as well as to staff of The Trout Group working under the instruction of HBM Partners. In principle, own-account transactions involving private companies in the human medicine and medical technology 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 HBM Healthcare Investments must not be infringed upon. Own-account trading involving private companies may be authorised in exceptional cases.

#### **Guidelines on trading by members of staff in the Company's own shares**

The Company has issued restrictive guidelines for members of HBM Healthcare Investments' governing bodies regarding trading in the Company's own shares. These guidelines also apply to HBM Partners and its staff, as well as to staff of The Trout

Group working under the instruction of HBM Partners. 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 12 to the Consolidated Financial Statements on pages 65 and 66.

#### **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 development 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;
- > audit procedures required by law relating to the reduction of corporate capital;
- > review regarding compliance with the requirements of the share buy-back programme and reporting to the Takeover Commission.

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 2013, the Management was composed of the following members:

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

Further information on the members of Management is given on page 35.

##### **4.2 Management and advisory agreements**

HBM Healthcare Investments (Cayman) Ltd has entered into a management agreement with HBM Partners (Cayman) Ltd. This obliges HBM Partners (Cayman) Ltd to provide management services in connection with the investment activities of HBM Healthcare Investments. Under the terms of the advisory agreements, HBM Partners (Cayman) Ltd has delegated the provision of defined advisory services to HBM Partners Ltd and The Trout Group, LLC. Specifically, these are identifying and evaluating possible investment targets, monitoring existing investments and evaluating potential exit strategies. The management agreement runs until 30 June 2015 and will be renewed automatically for a period of twelve months if it is not terminated by notice. Any notice of termination must be served at least twelve months before the agreement expires. HBM Healthcare Investments (Cayman) Ltd pays HBM Partners (Cayman) Ltd a quarterly management fee and an annual performance fee, subject to the high water mark principle. Detailed information on the core elements of the management agreement and on the scope of remuneration is provided in note 8 to the Consolidated Financial Statements on pages 58 and 59.

#### **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 note 12.1 to the Consolidated Financial Statements on pages 65 and 66 as well as in the notes to the Parent Company Financial Statements on page 71.

##### **5.2 Shares owned by members of governing bodies**

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 72.

#### **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. Auditors

### 7.1 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 elected as the Company's statutory and group auditors for the first time for the 2001/2002 financial year. Jürg Zürcher resigned with effect from the end of the 2011/2012 financial year. Martin Mattes has been auditor in charge since the 2012/2013 financial year.

### 7.2 Audit fees

The fee paid to Ernst & Young Ltd for auditing the Company's statutory and Consolidated Financial Statements amounted to CHF 171,500 during the fiscal year. The fee for auditing the capital reduction amounted to CHF 9,000. Additional fees for reviewing the corporate governance disclosures in the annual report and other audit-related services amounted to CHF 6,200.

### 7.3 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 produce audit reports on the consolidated and statutory annual financial statements, as well as review reports on the corporate governance section of the annual report. 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 took part in all Audit Committee meetings during the past financial year.

## 8. 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 disclosure rules of SIX Swiss Exchange.


Further details of the Company's information policy and permanent sources of information are given in the "Investor Information" section on page 74.

The Company's contact address is:  
HBM Healthcare Investments Ltd  
Bundesplatz 1  
CH-6300 Zug, Switzerland  
Phone +41 41 768 11 08  
Fax +41 41 768 11 09  
[info@hbmhealthcare.com](mailto:info@hbmhealthcare.com)  
[www.hbmhealthcare.com](http://www.hbmhealthcare.com)

## 9. 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.

# Board of Directors



<b>Hans Peter Hasler</b>	
Chairman of the Board of Directors	
Nationality	Swiss
Date of birth	2 February 1956

## Education


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

## Professional history

**Since 2012** Elan Corporation plc, Chief Operating Officer (COO)  
**2010–2012** HPH Management GmbH, Switzerland, consultant to biotech and pharma companies (M&A, strategy and marketing)  
**2008–2009** Biogen Idec Inc., USA, Chief Operating Officer (COO)  
**2007** Biogen Idec Inc., USA, Head of Global Neurology/Cardiovascular Business  
**2004–2007** Biogen Idec International GmbH, Switzerland, Senior Vice President, Head of International Organisation  
**2001–2003** Biogen Inc., USA, Head of Commercial Operations  
**1998–2001** Wyeth Pharmaceuticals, St. Davids/PA, USA, Senior Vice President, Chief Marketing Officer/Head of Global Strategic Marketing  
**1993–1998** Wyeth Pharmaceuticals, Switzerland, Austria, Eastern Europe, Germany

## Directorships

**Since 2012** MIAC AG (Medical Imaging Analysis Center AG, a not-for-profit organisation of the University Hospital of Basle), Member of the Board of Directors  
**Since 2008** Acino Pharma Ltd, Vice Chairman of the Board of Directors



<b>Prof. Dr Dr h.c. mult. Heinz Riesenhuber</b>	
Vice Chairman of the Board of Directors Member of the Audit Committee	
Nationality	German
Date of birth	1 December 1935

## Education

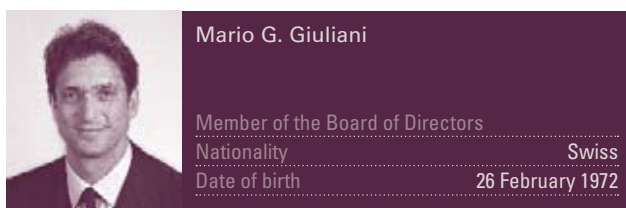
Master's and PhD degrees in chemistry; post-doctoral fellow, University of Frankfurt am Main, Germany

## Professional history

**Since 2006** German Parliamentary Society, Chairman  
**Since 1995** Goethe University, Frankfurt am Main, Germany, Honorary Professor  
**Since 1976** Member of the German Federal Parliament (since 1993: Member of the Committee on Economics and Technology, Chairman 2001–2002)  
**1994–2002** Co-President of the German-Japanese Cooperation Council for High Technology and Environment Technology  
**1982–1993** German Federal Minister of Research & Technology  
**1971–1982** Synthomer Chemie GmbH, Frankfurt am Main (Metallgesellschaft AG), CEO  
**Since 1968** Christian Democratic Party of Hessen, Member of the Presidential Board  
**1966–1971** Erzgesellschaft mbH, Frankfurt (Metallgesellschaft AG)  
 1968–1971 CEO

## Directorships

**Since 2004** Kabel Deutschland GmbH  
 Since 2010 Honorary Chairman  
 2004–2010 Chairman of the Board of Directors  
**Since 2001** Heidelberg Innovation BioScience Venture II GmbH, Member of the Investor Committee



### Education

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

### Professional history

**Since 1999** Giuliani SpA, Italy

Since 2003 President

Since 2001 CEO

1999–2000 CFO

**1998–1999** Vector Fund Management, USA, Associate

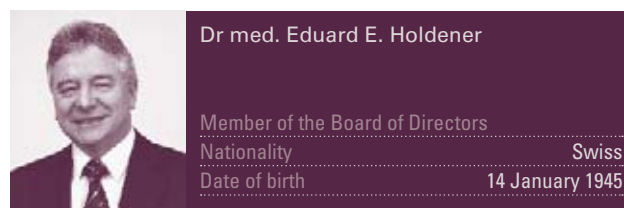
**1996–1997** Giuliani SpA, Italy, Marketing, Sales, Finance and Controlling

### Directorships

**Since 2011** Recordati SpA, Member of the Board of Directors

**Since 2001** Royalty Pharma, Member of the Board of Directors and Member of the Investment Committee

**Since 2000** Mosaix Ventures, LLP, Member of the Investment Committee



### Education

University of Zurich, Medical Faculty and School of Medicine, Zurich, Switzerland (graduation November 1971); MD degree (dissertation) University of Basle, Medical Faculty, 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

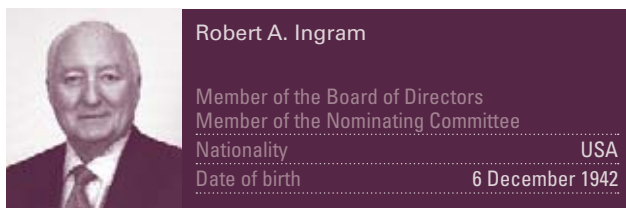
**Since 2011** Tigenix NV, Member of the Board of Directors

**Since 2009** Cellerix SA, Member of the Board of Directors

**Since 2008** NovImmune SA, Chairman of the Board of Directors

**Since 2008** Parexel International Co., Member of the Board of Directors

**Since 2008** Syntaxin Ltd, Member of the Board of Directors



### 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

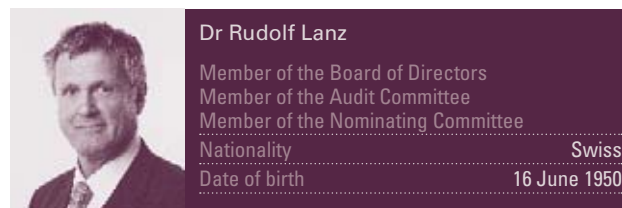
### Directorships

**Since 2011** Elan Corporation plc, Chairman of the Board of Directors

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

**Since 2003** Edwards Lifesciences, Member of the Board of Directors

**Since 2003** Valeant Pharmaceuticals International, Member of the Board of Directors (Lead Independent Director)



### 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 2011** Ramatech Systems AG, 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

**Since 2006** Agilita AG, Member of the Board of Directors

**Since 2005** Abilita AG, Member of the Board of Directors



<b>Dr Andreas Wicki</b>	
Chief Executive Officer	
Nationality	Swiss
Date of birth	1 December 1958



<b>Erwin Troxler</b>	
Chief Financial Officer	
Nationality	Swiss
Date of birth	30 May 1970

### 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

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

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

**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 2007** HBM Biopharma India Ltd, Chairman of the Board of Directors

**Since 2004** HBM BioCapital Ltd, Member of the Board of Directors

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

**Since 2001** HBM Partners Ltd, Member of the Board of Directors

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

### Education

Lucerne School of Economics and Business Administration, HWV (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, Reiden, Credit Administrator

### Directorships

**Since 2012** HBM Public Equity Advisors Ltd, Member of the Board of Directors

**Since 2007** HBM Business Advisory Ltd, Member of the Board of Directors

To the Board of Directors of  
**HBM Healthcare Investments Ltd, Zug**

Zurich, 2 May 2013

**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 (DCG) issued by the SIX Swiss Exchange (pages 25 to 35) for the year ended 31 March 2013.

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

## As at 31 March 2013

### 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 financings 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 ten percent of net assets.

#### Private companies

The majority of capital flows into direct participations in private companies with a convincing business model. These are generally operating at break-even and are unlikely to require any further financing. 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

A total of up to three percent of the net assets of HBM Healthcare Investments may be invested in long or short holdings in options in individual public companies. Short options holdings are limited to a cumulated total of ten percent of HBM Healthcare Investments' net assets. Holdings in sold call options which are covered by the corresponding portfolio holdings may be entered into additionally.

### 4. Investment decisions

Investment and divestment 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 manager, HBM Partners (Cayman) Ltd. The investment manager engages one or more investment advisors. 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 divestment 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 and on 25 June 2010 and passed in their present form on 2 May 2013. 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.

# **38 Financial Report** The Consolidated Financial Statements of the HBM Healthcare Investments Group and the Parent Company Financial Statements of HBM Healthcare Investments Ltd for the financial year ended 31 March 2013.

# Consolidated Financial Statements

## Consolidated balance sheet

	Notes	31.3.2013	restated 31.3.2012	restated Opening balance 1.4.2011
<b>Assets (CHF 000)</b>				
<b>Current assets</b>				
Cash and cash equivalents		51,691	41,224	155,434
Receivables		2,004	975	7,218
Financial instruments		1,347	297	633
<b>Total current assets</b>		<b>55,042</b>	<b>42,496</b>	<b>163,285</b>
<b>Non-current assets</b>				
Investments	(2)	512,287	472,999	454,196
Other financial assets	(4)	34,655	31,963	7,914
<b>Total non-current assets</b>		<b>546,942</b>	<b>504,962</b>	<b>462,110</b>
<b>Total assets</b>		<b>601,984</b>	<b>547,458</b>	<b>625,395</b>
<b>Liabilities (CHF 000)</b>				
<b>Short-term liabilities</b>				
Financial instruments		236	0	353
Short-term financial liabilities		0	0	29,798
Other short-term liabilities		787	1,063	2,074
<b>Total short-term liabilities</b>		<b>1,023</b>	<b>1,063</b>	<b>32,225</b>
<b>Shareholders' equity</b>				
Share capital	(6)	552,000	588,000	612,000
Treasury shares	(6)	-19,867	-33,084	-26,257
Capital reserve		385,527	375,240	369,019
Currency translation differences		0	-57	-57
Accumulated income/loss		-316,699	-383,704	-361,535
<b>Total shareholders' equity</b>		<b>600,961</b>	<b>546,395</b>	<b>593,170</b>
<b>Total liabilities and shareholders' equity</b>		<b>601,984</b>	<b>547,458</b>	<b>625,395</b>
Number of outstanding shares (in 000)		8,793	9,047	9,635
Net asset value (NAV) per share (CHF)		68.35	60.40	61.56

# Consolidated Financial Statements

## Consolidated statement of income for the financial year ended 31 March

	Notes	2012/2013	restated 2011/2012
Result from investment activities (CHF 000)			
Gains on investments	(2)	127,524	64,415
Losses on investments	(2)	-53,496	-63,494
Result from currency hedging transactions		-13	-9,961
Gains from other financial instruments		1,584	146
Losses from other financial instruments		0	-24
Gains on other financial assets		2,503	2,622
Losses on other financial assets		-19	-2,057
<b>Result from investment activities</b>		<b>78,083</b>	<b>-8,353</b>
Management fee	(8)	-7,873	-8,211
Personnel expenses	(9)	-1,818	-1,810
Other operating expenses		-1,562	-1,685
<b>Result before interest and taxes</b>		<b>66,830</b>	<b>-20,059</b>
Financial income		175	181
Financial expenses		0	-2,291
<b>Net result for the year</b>		<b>67,005</b>	<b>-22,169</b>
Number of outstanding shares, time-weighted (in 000)		8,914	9,430
Basic earnings per share (CHF)		7.52	-2.35

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 comprehensive income for the financial year ended 31 March

(CHF 000)	2012/2013	restated 2011/2012
<b>Net result for the year</b>	<b>67,005</b>	<b>-22,169</b>
Contribution to operating result reported in shareholders' equity		
Change owing to currency translation differences	57	0
<b>Total comprehensive result</b>	<b>67,062</b>	<b>-22,169</b>

# Consolidated Financial Statements

## Consolidated statement of cash flows for the financial year ended 31 March

(CHF 000)	2012/2013	restated 2011/2012
Management fee paid	-7,873	-8,211
Other expenses paid (personnel and other operating expenses)	-3,302	-3,332
<b>Net cash flow from operating activities</b>	<b>-11,175</b>	<b>-11,543</b>
Interest payments received	181	153
Purchase of investments	-70,999	-129,420
Sale of investments	101,467	92,505
Payments received from escrow amounts and milestones	1,816	6,713
Net cash flow from financial instruments to hedge currency risks	223	-10,314
Sale of other financial instruments	535	458
<b>Net cash flow from investing activities</b>	<b>33,223</b>	<b>-39,905</b>
Interest paid on financial liabilities	0	-3,000
Redemption of financial liabilities	0	-30,000
Purchase of treasury shares	-23,913	-33,541
Sale of treasury shares	11,417	4,814
<b>Net cash flow from financing activities</b>	<b>-12,496</b>	<b>-61,727</b>
<b>Currency translation differences</b>	<b>915</b>	<b>-1,036</b>
<b>Net change in cash and cash equivalents</b>	<b>10,467</b>	<b>-114,211</b>
Cash and cash equivalents at beginning of period	41,224	155,435
Cash and cash equivalents at end of period	51,691	41,224

# Consolidated Financial Statements

## Consolidated statement of changes in equity

	Share capital	Treasury shares	Capital reserve	Currency translation differences	Accumulated income/loss	Total shareholders' equity
(CHF 000)						
<b>Balance as at 1 April 2011 (according to Annual Report)</b>	<b>612,000</b>	<b>-26,257</b>	<b>369,019</b>	<b>89</b>	<b>-365,623</b>	<b>589,228</b>
Change in accounting of Tensys Medical	0	0	0	-146	4,088	3,942
<b>Balance as at 1 April 2011 (restated)</b>	<b>612,000</b>	<b>-26,257</b>	<b>369,019</b>	<b>-57</b>	<b>-361,535</b>	<b>593,170</b>
Net result for the year					-22,169	-22,169
Currency translation differences						0
<b>Total comprehensive result</b>						<b>-22,169</b>
Purchase of treasury shares		-33,541				-33,541
Sale of treasury shares		9,320	-385			8,935
Capital reduction (1.9.2011)	-24,000	17,394	6,606			0
<b>Balance as at 31 March 2012 (restated)</b>	<b>588,000</b>	<b>-33,084</b>	<b>375,240</b>	<b>-57</b>	<b>-383,704</b>	<b>546,395</b>
Net result for the year					67,005	67,005
Currency translation differences				57		57
<b>Total comprehensive result</b>						<b>67,062</b>
Purchase of treasury shares		-23,913				-23,913
Sale of treasury shares		11,363	54			11,417
Capital reduction (4.9.2012)	-36,000	25,767	10,233			0
<b>Balance as at 31 March 2013</b>	<b>552,000</b>	<b>-19,867</b>	<b>385,527</b>	<b>0</b>	<b>-316,699</b>	<b>600,961</b>

# Consolidated Financial Statements

## Notes

### 1. Significant accounting policies

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

#### 1.1 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. Any exceptions to this are described in notes 1.4 to 1.12.

With the exception of the new and modified standards and interpretations listed in note 1.15, the same accounting policies and valuation principles as in the previous year have been applied in the preparation of these financial statements.

As explained in note 5 “Change in the accounting of Tensys Medical”, the investment is no longer consolidated but reported at fair value through profit or loss in the Consolidated Financial Statements in accordance with IAS 39 “Financial Instruments”,

based on the early application of the amended provisions under IFRS 10 “Consolidated Financial Statements”, which exempt investment companies from the requirement to consolidate controlling interests that are intended to be resold. The change in the accounting is retrospective to the date of acquisition of Tensys at 1 January 2010. The comparative figures for previous years have been restated accordingly.

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. As explained in note 1.6, a degree of uncertainty is attached specifically to estimating individual fair values for private companies and funds.

#### 1.2 Scope of consolidation

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

Subsidiary	Objective	Ownership in %	
		as at 31.3.2013	as at 31.3.2012
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 Biomed China Ltd, Cayman Islands <sup>1)</sup>	Holding of company interests	100%	100%
HBM BioVentures (Barbados) Ltd, Barbados <sup>1)</sup>	Holding of company interests	100%	100%
HBM BioVentures International Ltd, Barbados <sup>1)</sup>	Holding of company interests	100%	100%

1) The assets held by the subsidiaries were transferred to their parent company HBM Healthcare Investments (Cayman) Ltd. The companies are in liquidation.

All subsidiaries are wholly owned either directly or indirectly. The subsidiaries' annual financial statements have been adjusted to the Company's reporting period in observance of Group guidelines. 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 Investments exerts a significant influence, but does not have a controlling interest (shareholdings of between 20 and 50 per cent of voting rights). Please refer to note 3 "HBM BioCapital" concerning the recognition of the holding in HBM BioCapital (EUR) L.P. (equity interest of 44.7%) and HBM BioCapital II L.P. (equity interest of 46.7%) under financial investments.

### 1.3 Foreign currencies

The functional currency 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 financial gains or losses are booked to the statement of income. Non-monetary assets and liabilities in foreign currencies, which are to be recognised at their acquisition cost, are converted at the exchange rate prevailing on the transaction date. Non-monetary assets and liabilities which are to be recognised at their fair value are converted at the exchange rate prevailing on the revaluation date. The resulting foreign currency gains or losses are booked together with the revaluation result to the statement of income.

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

(CHF)	31.3.2013	31.3.2012
DKK	0.1632	0.1618
EUR	1.2168	1.2042
GBP	1.4426	1.4447
SEK	0.1454	0.1364
USD	0.9492	0.9025

### 1.4 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.

### 1.5 Receivables

Receivables comprise escrow amounts from the sale of portfolio companies and other credits. 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 approximates the book value, and which become due for payment within 12 months.



### 1.6 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 reported at fair value through profit and loss, in line with risk management and the investment strategy. They are recognised at their acquisition cost without transaction costs. After initial recognition, all financial assets are stated at fair value. All gains or losses arising from an adjustment to the fair value of financial assets are entered in the statement of income in the period in which they arise.

Sales of investments and financial instruments 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 1.5) or other financial assets (note 1.7).

### 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 delivery of assets within a time frame laid down by law or by the conventions of the marketplace.

### Derivative financial instruments

HBM Healthcare Investments buys and sells derivative financial instruments in the course of its ordinary business activities and as part of its risk management. In the past, HBM Healthcare Investments has invested in the following types of derivatives: futures and options on foreign currencies, indices and securities. Derivatives are held for trading purposes and are reported at fair value through profit and loss. They are listed in the balance sheet under financial instruments and are stated at market value. For listed derivatives, market value is determined by the market price on the balance sheet date. The market 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 market value of the related investment.

## Investments

Investments are recognised at their acquisition cost, and thereafter at their fair value. The fair value of investments in private companies is determined using the "International Private Equity and Venture Capital Valuation Guidelines". 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 earning significant profits, in which case an appropriate price/earnings ratio is applied, maintaining a discount to reflect the restricted liquidity of the portfolio company (earnings multiple method).

The fair valuation of private companies is reviewed regularly for a possible diminution in value. Funds are valued based on the net asset value of the fund in question. The Company's Management determines the fair valuations of private companies and funds on the basis of the "International Private Equity and Venture Capital Valuation Guidelines". Given the uncertainty inherent in valuing private equity 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.

### 1.7 Other financial assets

Other financial assets comprise contractual claims on the sale of portfolio companies that are tied to the achievement of predefined objectives (milestone payments). They are valued as financial instruments at fair value, based on an estimate of the probability of success, and discounting for time.

### 1.8 Financial liabilities

Financial liabilities are initially carried at their acquisition value, i.e. the proceeds received once transaction costs have been deducted. They are subsequently carried at their amortised cost value 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.

### 1.9 Provisions

Provisions are created where HBM Healthcare Investments has a legal or actual obligation 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.

### 1.10 Treasury shares

Treasury shares held by HBM Healthcare Investments 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.

### 1.11 Result from investment activities

Changes in the value of individual investments in the financial year (including currency changes) are recorded in the income statement as "Gains and losses on investments". The "Realised gains and losses on investments" disclosed in note 2 are calculated as the difference between the sale proceeds of an investment and the capital invested. Unrealised gains and losses on the investments, which had been recorded in previous years, are eliminated and – together with the value adjustments on investments of the current fiscal year – reported under "Changes in unrealised gains and losses". In the income statement, earnings from derivative financial instruments are reported as "Gains and losses from other financial instruments" or as "Result from currency hedging transactions". The "Gains and losses on other financial assets" in the income statement include changes in value (including currency effects) on receivables in escrow amounts, contractual claims arising from the sale of portfolio companies, which are recognised under "Other financial assets", as well as foreign currency gains and losses on cash and cash equivalents.

### 1.12 Corporate income taxes

Corporate 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.

Provisions for deferred taxes on corporate income 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 taxable value on 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.

### 1.13 Net asset value and earnings per share

The net asset value per share 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 potential new shares issued in connection with outstanding convertible bonds, share options and similar instruments.

### 1.14 Segment reporting

HBM Healthcare Investments' primary business activity is the acquisition, holding and sale of equity interests in companies in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. Therefore the consolidated annual statements correspond to the segment reporting format.

### 1.15 Changes to accounting policies

In the year under review, the Company applied the following new and revised reporting standards and interpretations that may be relevant for the Group:

Standard and interpretation	Effective date
IFRS 1 First-time adoption of International Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters	1.7.2011
IFRS 7 Disclosures – Transfer of financial assets	1.7.2011
IAS 12 Income taxes – Recovery of underlying assets	1.1.2012
IAS 1 Presentation of financial statements – Presentation of items of other comprehensive income (OCI)	1.7.2012

Furthermore, the following new and revised reporting standards and interpretations were applied ahead of schedule:

Standard and interpretation	Effective date
IFRS 10 Consolidated financial statements	1.1.2013/ 1.1.2014
IFRS 11 Joint arrangements	1.1.2013
IFRS 12 Disclosure of interests in other entities	1.1.2013
IAS 27 (revised) Separate financial statements	1.1.2013
IAS 28 (revised) Investments in associates and joint ventures	1.1.2013

With the exception of the change in accounting of Tensys Medical as explained in note 5, the implementation of these standards and interpretations had no significant impact on the Consolidated Financial Statements.

The following new and revised standards and interpretations, which could be relevant for the Group, were approved during the reporting period. However, they are only applicable to future financial years and have not been applied ahead of schedule in the present financial statements. The implications for the Consolidated Financial Statements of HBM Healthcare Investments are currently still being analysed. Based on a preliminary analysis, no significant impact on the Consolidated Financial Statements is expected.

Standard and interpretation	Effective date	Financial year in which application is planned
IFRS 1 First-time adoption of International Financial Reporting Standards – Government loans	1.1.2013	2013/14
IFRS 7 Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1.1.2013	2013/14
IFRS 13 Fair value measurement	1.1.2013	2013/14
IAS 19 (revised) Employee benefits	1.1.2013	2013/14
IFRIC 20 Stripping costs in the production phase of a surface mine	1.1.2013	2013/14
IAS 32 Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1.1.2014	2014/15
IFRS 9 Financial instruments	1.1.2015	2015/16

## 2. Investments

	Domicile	Investment currency (IC)	Amount disbursed as at 31.3.2012 (IC m)	Changes in the reporting period (IC m)	Amount disbursed as at 31.3.2013 (IC m)	Fair value as at 31.3.2013 (IC m)	Ownership as % of portfolio company	Fair value as at 31.3.2013 (CHF 000)	Fair value as at 31.3.2012 (CHF 000)
<b>Private companies</b>									
Cathay Industrial Biotech	China	USD	28.0		28.0	28.0	12.6%	26,578	25,270
PTC Therapeutics	USA	USD	25.3	8.8	34.1	22.1	12.6%	20,976	22,835
Interventional Spine	USA	USD	16.5	1.5	18.0	17.0	31.4%	16,095	13,647
Nabriva Therapeutics <sup>1)</sup>	Austria	EUR	12.9	0.1	13.1	13.1	11.9%	15,890	15,582
Ophthotech	USA	USD	16.5		16.5	16.5	15.1%	15,622	14,853
Tensys Medical	USA	USD	6.9	3.1	10.0	10.0	100.0%	9,445	6,227
Medimpulse Holding	Switzerland	USD	4.4		4.4	8.3	20.7%	7,873	7,485
Ellipse Technologies <sup>2)</sup>	USA	USD	8.0		8.0	8.0	24.7%	7,597	7,223
Probiodrug	Germany	EUR	14.3	0.7	15.0	4.6	9.9%	5,537	9,151
Delenix Therapeutics <sup>1)</sup>	Switzerland	CHF	7.2		7.2	4.8	14.3%	4,771	4,771
MiCardia <sup>1)</sup>	USA	USD	3.8	0.5	4.3	4.3	11.5%	4,068	3,389
Westmed Holding	USA	USD	5.5		5.5	3.5	14.2%	3,275	3,114
Lux Biosciences <sup>1)3)</sup>	USA	USD	24.0		24.0	0.0	15.2%	0	21,622
Cylene Pharmaceuticals <sup>3)</sup>	USA	USD	13.6	0.2	13.8	0.0	10.0%	0	7,791
Vivacta <sup>4)</sup>	UK	GBP	4.1	-4.1	0.0	0.0	0.0%	0	5,867
Other investments								14,872	24,787
<b>Total private companies</b>								<b>152,599</b>	<b>193,615</b>

1) As explained in note 3 "HBM BioCapital", this investment was made partly or wholly through HBM BioCapital (EUR) L.P. Pro rata fees of HBM BioCapital (EUR) L.P. are reimbursed in full to HBM Healthcare Investments so that fees are not levied twice.

2) Since August 2005, HBM Healthcare Investments held an additional approximately 6.1% of the company indirectly via the MedFocus Fund.

3) The investment has been fully value adjusted during the period under review.

4) The investment was sold during the period under review.

Funds	Domicile	Investment currency (IC)	Total commitment (IC m)	Payments in the reporting period (IC m)	Repayments in the reporting period (IC m)	Cumulative payments as at 31.3.2013 (IC m)	Cumulative payments as at 31.3.2012 (IC m)	Fair value as at 31.3.2013 (IC m)	Fair value as at 31.3.2012 (CHF 000)	
BioMedInvest I	Switzerland	CHF	26.0			26.0	7.8	16.9	16,900	17,212
MedFocus Fund II	USA	USD	16.0			16.0	0.0	13.7	13,014	12,531
Galen Partners V	USA	USD	10.0	1.9		8.8	0.0	10.2	9,688	5,867
Water Street Healthcare Partners	USA	USD	15.0	0.7	11.0	14.8	12.6	8.8	8,362	16,468
Hatteras Venture Partners III	USA	USD	10.0	1.5	0.3	7.5	2.0	7.5	7,104	4,872
HBM BioCapital II L.P. <sup>1)</sup>	Jersey	EUR	42.0	5.8		5.8	0.0	4.7	5,755	0
BioMedInvest II	Switzerland	CHF	10.0	2.0		6.0	0.0	5.1	5,130	3,440
Nordic Biotech	Denmark	DKK	31.0		1.2	29.8	10.9	26.1	4,264	2,295
BioVeda China	China	USD	8.5			8.5	27.2	4.3	4,093	3,892
Symphony Capital Partners	USA	USD	15.0	0.2	2.4	14.9	10.2	3.3	3,117	4,687
EMBL Technology Fund	Germany	EUR	2.1			2.1	0.0	1.2	1,413	1,980
BioVentures Investors II	USA	USD	3.0			3.0	0.5	0.9	844	807
Heidelberg Innovation BSV II	Germany	EUR	5.0		0.1	5.0	1.3	0.5	584	900
A.M. Pappas LifeScience Ventures II	USA	USD	3.0		0.1	3.0	3.3	0.3	323	378
Skyline Venture Partners III	USA	USD	3.0		0.8	2.9	3.7	0.2	200	407
<b>Total funds</b>									<b>80,792</b>	<b>75,736</b>

Public companies	Domicile	Investment currency (IC)	Number of shares as at 31.3.2012	Changes in number of shares in the reporting period	Number of shares as at 31.3.2013	Ownership as % of portfolio company	Fair value as at 31.3.2013 (CHF 000)	Fair value as at 31.3.2012 (CHF 000)
Basilea Pharmaceutica <sup>P)</sup>	Switzerland	CHF	2,285,037	108,979	2,394,016	24.97%	137,656	115,737
Pacira Pharmaceuticals <sup>P)</sup>	USA	USD	3,433,993	-1,200,000	2,233,993	6.8%	61,198	35,765
ChemoCentryx <sup>P)</sup>	USA	USD	2,637,301	-707,301	1,930,000	5.2%	25,318	25,373
Enanta Pharmaceuticals <sup>2)</sup>	USA	USD	909,232	532,757	1,441,989	8.6%	24,911	6,947
Swedish Orphan Biovitrum <sup>P)</sup>	Sweden	SEK	1,392,500	7,500	1,400,000	0.5%	8,529	4,256
SkyePharma	UK	GBP	4,976,806	0	4,976,806	10.8%	3,338	2,804
Other investments							17,946	12,766
<b>Total public companies</b>							<b>278,896</b>	<b>203,648</b>
<b>Total investments</b>							<b>512,287</b>	<b>472,999</b>

P) The position originates from the private companies portfolio.

1) The fair value of EUR 4.7 million takes into account the funds' cumulative management fees of EUR 0.96 million. As explained in note 3 to the Consolidated Financial Statements, this amount has been reimbursed in full to HBM Healthcare Investments so that fees are not levied twice.

2) The company listed its shares on the NASDAQ Exchange in March 2013. The investment was previously reported under private companies.

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

	Private companies	Funds	Public companies	Total investments
<b>Development of investments (CHF 000)</b>				
<b>Fair value as at 1 April 2011 (according to Annual Report)</b>	<b>267,450</b>	<b>100,123</b>	<b>83,380</b>	<b>450,953</b>
Reclassification owing to IPO (ChemoCentryx)	-15,764		15,764	0
Addition owing to change in accounting of Tensys Medical	3,243			3,243
<b>Adjusted fair value as at 1 April 2011 (restated)</b>	<b>254,929</b>	<b>100,123</b>	<b>99,144</b>	<b>454,196</b>
Purchases	29,990	4,839	98,209	133,038
Sales	-77,870	-26,561	-10,725	-115,156
Realised gains	30,695	13,980	1,541	46,216
Realised losses	-106,962	-758	-1,504	-109,224
Changes in unrealised gains	116,608	3,930	23,407	143,945
Changes in unrealised losses	-46,828	-19,817	-13,371	-80,016
<b>Fair value as at 31 March 2012 (restated)</b>	<b>200,562</b>	<b>75,736</b>	<b>196,701</b>	<b>472,999</b>
Reclassification owing to IPO (Enanta)	-6,947		6,947	0
<b>Adjusted fair value as at 31 March 2012</b>	<b>193,615</b>	<b>75,736</b>	<b>203,648</b>	<b>472,999</b>
Purchases	21,897	13,548	35,554	70,999
Sales	-29,555	-13,839	-62,345	-105,739
Realised gains	3,540	858	27,709	32,107
Realised losses	-64,569	-2,881	-2,789	-70,239
Changes in unrealised gains	78,428	10,478	78,127	167,033
Changes in unrealised losses	-50,757	-3,108	-1,008	-54,873
<b>Fair value as at 31 March 2013</b>	<b>152,599</b>	<b>80,792</b>	<b>278,896</b>	<b>512,287</b>

The following table shows the gains and losses (realised and unrealised) on single investments for the 2012/2013 and 2011/2012 financial years. Investments are listed separately only if the change in value in terms of the investment currency results

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

**Gains on investments**  
(realised and unrealised per company)<sup>1)</sup>

	Investment currency (IC)		2012/2013 (CHF 000)
	IC million		
<b>Private companies</b>			
Vivacta	GBP	4.8	7,353
Nereus Pharmaceuticals	USD	3.7	3,503
Other investments			5,720
<b>Total private companies</b>			<b>16,576</b>
<b>Funds</b>			
Other investments			8,216
<b>Total funds</b>			<b>8,216</b>
<b>Public companies</b>			
Pacira Pharmaceuticals	USD	58.2	57,048
Basilea Pharmaceutica	CHF	16.7	16,674
Enanta Pharmaceuticals	USD	11.4	11,236
ChemoCentryx	USD	6.9	7,904
Swedish Orphan Biovitrum	SEK	27.3	4,250
Other investments			5,620
<b>Total public companies</b>			<b>102,732</b>
<b>Total gains on investments</b>			<b>127,524</b>

**Losses on investments**  
(realised and unrealised per company)<sup>1)</sup>

<b>Private companies</b>			
Lux Biosciences	USD	24.0	21,622
PTC Therapeutics	USD	12.1	10,269
Cylene Pharmaceuticals	USD	8.8	7,960
Probiobdrug	EUR	3.7	4,454
Paratek Pharmaceuticals	USD	2.9	2,664
Other investments			2,965
<b>Total private companies</b>			<b>49,934</b>
<b>Funds</b>			
Other investments			2,869
<b>Total funds</b>			<b>2,869</b>
<b>Public companies</b>			
Other investments			693
<b>Total public companies</b>			<b>693</b>
<b>Total losses on investments</b>			<b>53,496</b>

**Gains on investments**  
(realised and unrealised per company)<sup>1)</sup>

	Investment currency (IC)		2011/2012 (CHF 000)
	IC million		
<b>Private companies</b>			
mtm laboratories	EUR	29.5	30,581
Mpex Pharmaceuticals	USD	3.1	2,715
Other investments			3,324
<b>Total private companies</b>			<b>36,620</b>
<b>Funds</b>			
Other investments			3,279
<b>Total funds</b>			<b>3,279</b>
<b>Public companies</b>			
Pacira Pharmaceuticals	USD	15.5	13,575
ChemoCentryx	USD	9.7	8,421
Other investments			2,520
<b>Total public companies</b>			<b>24,516</b>
<b>Total gains on investments</b>			<b>64,415</b>

**Losses on investments**  
(realised and unrealised per company)<sup>1)</sup>

<b>Private companies</b>			
PTC Therapeutics	USD	15.0	14,151
Nereus Pharmaceuticals	USD	9.4	8,661
Interventional Spine	USD	5.8	5,321
Cylene Pharmaceuticals	USD	5.0	4,677
Paratek Pharmaceuticals	USD	2.5	2,350
Other investments			7,947
<b>Total private companies</b>			<b>43,107</b>
<b>Funds</b>			
Other investments			5,944
<b>Total funds</b>			<b>5,944</b>
<b>Public companies</b>			
Basilea Pharmaceutica	CHF	10.4	10,416
Other investments			4,027
<b>Total public companies</b>			<b>14,443</b>
<b>Total losses on investments</b>			<b>63,494</b>

1) Amount in Swiss francs includes gains and losses on foreign currency.



The net gain on investments of CHF 74.0 million (previous year: net gain of CHF 0.9 million) includes net currency gains of CHF 15.4 million (previous year: net currency losses of CHF 14.7 million).

### 3. HBM BioCapital

HBM Healthcare Investments has committed EUR 39.1 million to HBM BioCapital (EUR) L.P., Cayman Islands ("HBM BioCapital I"), which is reported under investments. Of this, EUR 37.4 million had been paid in as at 31 March 2013 (previous year: EUR 37.0 million), while EUR 39.3 million had been repaid (previous year: EUR 38.3 million). As at 31 March 2013, the fair value of the remaining investment in HBM BioCapital I stood at EUR 12.8 million (previous year: EUR 18.4 million). HBM BioCapital I's investments are reported pro rata in note 2 "Investments", in addition to the investments held directly by HBM Healthcare Investments.

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 six companies, which will be sold up to the contractual expiry of the fund in 2014. To continue this strategy, HBM Healthcare Investments 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 2013, EUR 5.8 million from this commitment had been called. The investment in HBM BioCapital II is accounted for under funds, as HBM BioCapital II will not make investments in companies in which HBM Healthcare Investments is invested directly.

HBM Healthcare Investments and HBM BioCapital I and II are both advised by HBM Partners Ltd or one of its subsidiaries. As explained in note 8.1 "Management fee", pro rata fees (management fees and performance fees) of HBM BioCapital I and II are reimbursed to HBM Healthcare Investments in full so that fees are not levied twice.

### 4. Other financial assets

Other financial assets consist primarily of contractual claims to further purchase price payments from earlier trade sales that are contingent on the achievement of defined targets. These claims are carried in the annual financial statements at a risk-weighted value and discounted over time (discount rate of 11 percent). As at the balance sheet date, other financial assets are as follows:

(CHF 000)	31.3.2013	31.3.2012
Claims to purchase price payments from sales of companies contingent on achievement of defined targets <sup>1)</sup>	34,640	31,949
Other financial assets	15	14
<b>Total book value of other financial assets</b>	<b>34,655</b>	<b>31,963</b>
Claims to purchase price payments from sales of companies contingent on achievement of defined targets <sup>2)</sup>	5,663	6,776
<b>Total claims to purchase price payments from sales of companies contingent on achievement of defined targets (direct and indirect investments)</b>	<b>40,303</b>	<b>38,725</b>

1) From investments held directly

2) From investments held indirectly via HBM BioCapital (EUR) L.P.

The total claims to purchase price payments of CHF 40.3 million consists of CHF 34.6 million from investments held directly by HBM Healthcare Investments and CHF 5.7 million from investments

which HBM Healthcare Investments held indirectly through HBM BioCapital (EUR) L.P. and accounted as investments (note 3 "HBM BioCapital").

The book value of contractual claims to purchase price payments contingent on the achievement of defined targets developed as follows in the 2012/2013 financial year:

(CHF 000)	Claims from investments held directly	Claims from investments held indirectly (through HBM BioCapital)	Total
<b>Amount as at 31.3.2012</b>	<b>31,949</b>	<b>6,776</b>	<b>38,725</b>
Addition	4,143	379	4,522
Payments received	-837	-644	-1,481
Realised and unrealised gains/losses	-615	-848	-1,463
<b>Amount as at 31.3.2013</b>	<b>34,640</b>	<b>5,663</b>	<b>40,303</b>

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

(CHF Mio.)	Book value as at 31.3.2013	Range of possible cash flows, minimum	Range of possible cash flows, maximum	Expected period of payment
ESBATech	7.0	0.0	51.9	2013–2018
Mpex <sup>1)</sup>	4.8	4.3	> 38.3	2013–2029
mtm laboratories	20.2	5.8	31.6	2013–2016
Other companies	8.3	2.6	25.6	2013–2019
<b>Total</b>	<b>40.3</b>	<b>12.7</b>	<b>&gt; 147.4</b>	

1) There is no ceiling on potential cash flows. The amounts shown here are calculated on the basis of a sales estimate.

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

**ESBATech:** The company was acquired in September 2009 by Alcon Inc. The purchase price comprised an advance payment of USD 150 million, as well as a further USD 439 million in milestone payments that are tied to the achievement of clinical development targets. In addition to the advance, HBM Healthcare Investments has to date received a small initial milestone payment. Further payments are anticipated starting this year.

**Mpex:** The company was acquired in April 2011 by Axcan Pharma Inc. (now named Aptalis). Aptalis is paying the purchase price in cash – a guaranteed portion in tranches up to 2014, and the remainder as milestone payments contingent on market licensing and sales successes. HBM Healthcare Investments will receive around USD 4 million in several tranches up to 2014. Further payments of up to USD 7 million will fall due upon the approval

of the Aeroquin™ antibiotic in Europe and in the USA. HBM Healthcare Investments is also entitled to turnover-based payments on the basis of product sales up to 2029. These may correspond to several times the current book value of the investment.

**mtm laboratories:** The company was acquired in July 2011 by Roche. The purchase price for the company of EUR 190 million comprised an advance payment of EUR 130 million and EUR 60 million as performance-based milestone payments. HBM Healthcare Investments has received 90 percent of the advance payment. The remaining 10 percent will be released 18 and 60 months after completion of the transaction. The performance-related milestone payment is expected in 2014/2015.

**Other companies:** “Other companies” relates primarily to contractual claims from the sale of the investment holdings in Adnexus, Asthmatx, Broncus, Nereus, Syntonix and Vivacta, which are tied to sales growth, advances in clinical development, and product approvals.

## 5. Change in the accounting of Tensys Medical

The investment of Tensys Medical is no longer consolidated, but reported at fair value through profit or loss in the Consolidated Financial Statements in accordance with IAS 39 "Financial Instruments", based on the early application of the amended provisions under IFRS 10 "Consolidated Financial Statements". The change in accounting is retrospective to the date of acquisition at 1 January 2010. The comparative figures for previous years have been restated accordingly.

In accordance with valuation guidelines, the investment is valued retrospectively on the individual balance sheet dates at the respective paid-in capital. The baseline valuation is the purchase price of CHF 0 on 1 January 2010. This change increased shareholders' equity in the reporting year by CHF 10.4 million, and the net result by CHF 3.2 million.

Compared with the previous year's figures, the change in the accounting of Tensys Medical resulted in the following changes within the balance sheet positions of HBM Healthcare Investments:

<b>Balance sheet – effects from change in accounting of Tensys Medical</b>	<i>31.3.2012 restated</i>	<i>31.3.2012 as reported</i>	<i>Change</i>
<b>Assets (CHF 000)</b>			
<b>Current assets</b>			
Cash and cash equivalents	41,224	41,559	–335
Receivables	975	1,040	–65
Financial instruments	297	297	0
Inventories	0	470	–470
<b>Total current assets</b>	<b>42,496</b>	<b>43,366</b>	<b>–870</b>
<b>Non-current assets</b>			
Investments	472,999	466,772	6,227
Other financial assets	31,963	32,002	–39
Property, plant and equipment	0	262	–262
Intangible assets	0	5,087	–5,087
<b>Total non-current assets</b>	<b>504,962</b>	<b>504,123</b>	<b>839</b>
<b>Total assets</b>	<b>547,458</b>	<b>547,489</b>	<b>–31</b>
<b>Liabilities (CHF 000)</b>			
<b>Short-term liabilities</b>			
Other short-term liabilities	1,063	2,039	–976
<b>Total short-term liabilities</b>	<b>1,063</b>	<b>2,039</b>	<b>–976</b>
<b>Long-term liabilities</b>			
Long-term financial liabilities	0	6,275	–6,275
<b>Total long-term liabilities</b>	<b>0</b>	<b>6,275</b>	<b>–6,275</b>
<b>Shareholders' equity</b>			
Share capital	588,000	588,000	0
Treasury shares	–33,084	–33,084	0
Capital reserve	375,240	375,240	0
Currency translation differences	–57	110	–167
Accumulated income/loss	–383,704	–391,091	7,387
<b>Total shareholders' equity</b>	<b>546,395</b>	<b>539,175</b>	<b>7,220</b>
<b>Total liabilities and shareholders' equity</b>	<b>547,458</b>	<b>547,489</b>	<b>–31</b>
Number of outstanding shares (in 000)	9,047	9,047	
Net asset value (NAV) per share (CHF)	60.40	59.60	0.80

	1.4.2011 restated	1.4.2011 as reported	Change
<b>Balance sheet – effects from change in accounting of Tensys Medical</b>			
<b>Assets (CHF 000)</b>			
Current assets			
Cash and cash equivalents	155,434	155,789	–355
Receivables	7,218	7,246	–28
Financial instruments	633	633	0
Inventories	0	554	–554
<b>Total current assets</b>	<b>163,285</b>	<b>164,222</b>	<b>–937</b>
Non-current assets			
Investments	454,196	450,953	3,243
Other financial assets	7,914	7,955	–41
Property, plant and equipment	0	187	–187
Intangible assets	0	5,010	–5,010
<b>Total non-current assets</b>	<b>462,110</b>	<b>464,105</b>	<b>–1,995</b>
<b>Total assets</b>	<b>625,395</b>	<b>628,327</b>	<b>–2,932</b>
<b>Liabilities (CHF 000)</b>			
Short-term liabilities			
Financial instruments	353	353	0
Short-term financial liabilities	29,798	36,166	–6,368
Other short-term liabilities	2,074	2,580	–506
<b>Total short-term liabilities</b>	<b>32,225</b>	<b>39,099</b>	<b>–6,874</b>
Shareholders' equity			
Share capital	612,000	612,000	0
Treasury shares	–26,257	–26,257	0
Capital reserve	369,019	369,019	0
Currency translation differences	–57	89	–146
Accumulated income/loss	–361,535	–365,623	4,088
<b>Total shareholders' equity</b>	<b>593,170</b>	<b>589,228</b>	<b>3,942</b>
<b>Total liabilities and shareholders' equity</b>	<b>625,395</b>	<b>628,327</b>	<b>–2,932</b>
Number of outstanding shares (in 000)	9,635	9,635	
Net asset value (NAV) per share (CHF)	61.56	61.15	0.41

Compared with the previous year's figures, the change in the accounting of Tensys Medical resulted in the following significant changes within the income statement of HBM Healthcare Investments:

<b>Statement of income – effects from change in accounting of Tensys Medical</b> (CHF 000)	<i>2011/2012 re-stated</i>	<i>2011/2012 as reported</i>	<i>Change</i>
<b>Result from investment activities</b>	<b>-8,353</b>	<b>-8,357</b>	<b>4</b>
Revenues from product sales	0	154	-154
Costs of products sold	0	-148	148
<b>Gross result from product sales</b>	<b>0</b>	<b>6</b>	<b>-6</b>
<b>Gross result</b>	<b>-8,353</b>	<b>-8,351</b>	<b>-2</b>
Management fee	-8,211	-8,211	0
Personnel expenses	-1,810	-2,752	942
Other operating expenses	-1,685	-3,789	2,104
Depreciation and amortisation	0	-45	45
<b>Operating result before interest and taxes</b>	<b>-20,059</b>	<b>-23,148</b>	<b>3,089</b>
Financial income	181	149	32
Financial expenses	-2,291	-2,468	177
<b>Result before taxes</b>	<b>-22,169</b>	<b>-25,467</b>	<b>3,298</b>
Income taxes	0	-1	1
<b>Net result for the year</b>	<b>-22,169</b>	<b>-25,468</b>	<b>3,299</b>
Number of outstanding shares, time-weighted (in 000)	9,430	9,430	
Basic earnings per share (CHF)	-2.35	-2.70	0.35

## 6. Shareholders' equity

At the Ordinary Shareholders' Meeting of 22 June 2012, it was decided that the Company's share capital should be reduced by means of the cancellation of 600,000 treasury shares that had been acquired under the current 2009 share buy-back programme. Consequently, as at the balance sheet date, the Company's share capital stood at CHF 552 million (previous year: CHF 588 million), divided into 9,200,000 shares (previous year: 9,800,000 shares) at a par value of CHF 60 each. The capital reduction was entered in the Canton Zug Commercial Register on 4 September 2012.

## 6.1 Treasury shares

The Ordinary Shareholders' Meeting of 22 June 2012 authorised the Board of Directors to repurchase a maximum of 920,000 of the company's own shares via a second trading line in a share buy-back programme. The programme is intended to reduce capital and will run until 30 June 2015 ("2012 share buy-back programme"). Within the framework of this 2012 share buy-back programme, a total of 153,000 of the Company's own shares have been purchased to date. Together with the 110,000 of its own shares which were acquired as part of the 2009 share buy-back programme but which have not yet been cancelled, the Company held 263,000 of its own shares as at the balance sheet date of 31 March 2013 (as at 31 March 2012: 597,345 own shares).

During the 2012/2013 financial year, the Company acquired a total of 265,655 of its own shares via the second trading line, at an average price of CHF 48.34 per share (previous year: 648,034 own shares at an average price of CHF 43.50 per share). At the capital reduction of 4 September 2012, 2,655 own shares thereof were cancelled.

In addition, as at 31 March 2013, the Company held 144,362 treasury shares (as at 31 March 2012: 155,710 shares), acquired via the regular trading line, indirectly via its HBM Healthcare Investments (Cayman) Ltd subsidiary. During the financial year, 222,810 treasury shares were acquired via the regular trading line at an average price of CHF 49.69 (previous year: 124,064 shares at CHF 43.14), while 234,158 treasury shares were sold at an average price of CHF 48.76 (previous year: 184,044 shares at CHF 48.55).

The gain of CHF 0.05 million from trading in treasury shares (previous year: loss of CHF 0.4 million), 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.

## 6.2 Significant shareholders

Based on information received by the Company, the following shareholders report equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2013:

Shareholding	Shareholder	Latest notification
10–15 %	Astellas Pharma Inc., Tokyo, Japan	7.4.2011
	Shareholder group: Alpine Select Ltd, Zug & Absolute Invest Ltd, Zug	25.6.2012
3–5 %	Red Rocks Capital LLC, Golden, CO, USA	4.10.2012
	HBM Healthcare Investments Ltd, Zug (treasury shares)	31.3.2013

## 7. Off-balance-sheet commitments

### Investment commitments

HBM Healthcare Investments had the following investment commitments as at 31 March 2013:

(CHF 000)	31.3.2013	31.3.2012
HBM BioCapital (EUR) L.P.	2,046	2,495
HBM BioCapital II L.P.	44,008	50,576
Private companies	0	2,001
Funds	8,038	13,843
<b>Total investment commitments</b>	<b>54,092</b>	<b>68,916</b>

Further details on investment commitments to HBM BioCapital (EUR) L.P. and HBM BioCapital II L.P. are explained in note 3 "HBM BioCapital".

## 8. Management and performance fee

HBM Healthcare Investments has entered into a management agreement with a subsidiary of HBM Partners Ltd (together "HBM Partners"). This agreement requires HBM Partners to provide management services in relation to the investment activity of HBM Healthcare Investments. The compensation under the agreement includes a management fee and a performance fee. The compensation model is determined by the Board of Directors.

The management fee paid to HBM Partners during the 2012/2013 financial year came to CHF 7.9 million (previous year: CHF 8.2 million). No performance fee was paid (previous year: none).

### 8.1 Management fee

The annual management fee to HBM Partners amounts to 1.2 percent of the Company's assets plus 0.3 percent of the Company's market capitalisation. The Company's assets are calculated from the consolidated shareholders' equity reported as at the end of the previous quarter, plus borrowed capital net of transaction costs, and the Company's holdings of treasury shares acquired via the regular trading line, valued at market prices. Market capitalisation is calculated based on the shares listed on SIX Swiss Exchange, valued at the closing price as at the end of the previous quarter. The management fee is paid quarterly, in advance. As explained in note 3, both HBM Healthcare Investments and HBM BioCapital I and II are advised by HBM Partners Ltd or one of its subsidiaries. HBM Healthcare Investments' pro rata share of management and performance fees (carried interest) payable by HBM BioCapital I and II is refunded in full. This prevents fees being charged 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 fee does not cover third-party costs for the evaluation and review of investment opportunities, purchase and sale agreements, charges and duties payable on trading in listed securities, expenditures on taxes, stamp duties and similar charges.

### 8.2 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 Investments Ltd, as explained in note 12.1 "Payments to members of governing bodies and related parties".

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

Performance fees are calculated on the following basis: net assets on the balance sheet date on which the performance fee is calculated, less the highest net assets that were used as a calculation basis to pay out the last fee (high water mark).

The total performance fee to HBM Partners and to members of the Board of Directors of HBM Healthcare Investments Ltd corresponds to 15 percent of the difference between these two net asset values. It is paid out only if this difference exceeds the high water mark by five percent or more. As the calculation basis, net assets are adjusted in line with changes to the capital structure of HBM Healthcare Investments and any dividends that are paid out. As at 31 March 2013, the high water mark amounted to CHF 107.71 per share (previous year: CHF 107.71 per share).

## 9. Personnel expenses

Personnel expenses for the Group are composed as follows:

(CHF 000)	2012/2013	2011/2012
Remuneration to Directors and members of the Audit Committee <sup>1)</sup>	481	388
Remuneration to Directors of subsidiaries	209	197
Wages and salaries	896	988
Social insurance contributions and duties	174	130
Other personnel expenses	58	107
<b>Total personnel expenses</b>	<b>1,818</b>	<b>1,810</b>

1) Note 12.1 "Payments to members of governing bodies and related parties".

Employees at HBM Healthcare Investments are integrated into the affiliation agreement with the collective pension foundation of HBM Partners. Pension fund contributions are paid in full by HBM Partners.

## 10. Taxes

HBM Healthcare Investments 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 2013 amounted to CHF 374 million, which can be set off in subsequent periods:

Tax losses carried forward (CHF 000)	31.3.2013
Within 1 year	0
Within 2 to 5 years	347,939
After 5 years	25,883
<b>Total</b>	<b>373,822</b>

## 11. Financial risk management

HBM Healthcare Investments is exposed to various financial risks within the limits of the law, the articles of association and the Investment Guidelines. These risks, which are a result of the Group's investment and financial 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 Investments 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 an annual basis. Management ensures compliance with them by reviewing portfolio composition continuously.



### 11.1 Risk of limited market liquidity

HBM Healthcare Investments invests in privately held companies. Such investments are mostly illiquid by nature and are often subject to contractual transfer restrictions. These restrictions may, in certain circumstances, prevent HBM Healthcare Investments 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 Investments tries to reduce market liquidity risk by means of thorough investment analysis and by dialogue and cooperation with the portfolio companies concerned. Cash and cash equivalents are held exclusively with first-rate banks.

### 11.2 Market risks

General economic and political market factors, as well as the state of the relevant public equity markets, are factors that impact directly on the prospects of HBM Healthcare Investments' investments. By virtue of the maturity of HBM Healthcare Investments' portfolio, which should provide exit opportunities (sale to other operating companies or investors, IPOs) for a large number of 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. In contrast, a negative public equity market environment makes a sale or an IPO more difficult. The valuation of HBM Healthcare Investments' 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 Investments' portfolio positions may depend in part on demand from strategic buyers for companies with promising medical products.

For HBM Healthcare Investments' 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, such as the United States of America as the largest market worldwide for drug and medical device products, were to increase or reduce spending on such treatment options materially, HBM Healthcare Investments' portfolio companies might be impacted significantly. Political developments in the countries where the operations of a few portfolio companies are located, e.g. China, may affect the ability of the companies in question to execute their business plans and attain their growth targets. HBM Healthcare Investments tries to reduce market risks by means of thorough investment analysis and by close cooperation with the portfolio companies concerned.

### 11.3 Liquidity risks

The Investment Guidelines oblige HBM Healthcare Investments to maintain an adequate level of short-term funds in order to participate in follow-on financing for portfolio companies and to ensure that it 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 payment dates of HBM Healthcare Investments' investment commitments, (2) due dates for the repayment of borrowed capital 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 and (6) expected cash flows from the sale of private portfolio companies.

The following table analyses liabilities and investment commitments to portfolio companies and funds as at the balance sheet date with regard to the due dates of contractual cash flows (including interest on financial liabilities):

	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>Liquidity risks (CHF million)</b>						
<b>Balance sheet liabilities</b>						
Other short-term liabilities and financial instruments	1.0	1.0	1.0			
<b>Total balance sheet liabilities as at 31 March 2013</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>			
Total balance sheet liabilities as at 31 March 2012	1.1	1.1	1.1	0.0	0.0	0.0
<b>Off-balance-sheet investment commitments<sup>1)</sup></b>						
Expected drawdowns HBM BioCapital I and II	46.1	46.1	3.0	6.0	6.0	31.1
Expected drawdowns funds	8.0	8.0	1.0	3.0	2.0	2.0
<b>Total off-balance-sheet investment commitments as at 31 March 2013</b>	<b>54.1</b>	<b>54.1</b>	<b>4.0</b>	<b>9.0</b>	<b>8.0</b>	<b>33.1</b>
Total off-balance-sheet investment commitments as at 31 March 2012	68.9	68.9	6.0	6.0	11.0	45.9

1) Due dates are estimates.

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

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

### 11.4 Foreign currency risks

A significant proportion of the HBM Healthcare Investments 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 Investments does not hedge these risks. It may, however, be appropriate to hedge currency exposure in full or in part from time to time.

In March 2013, the Company has sold nominal USD 30 million call options with a strike of USD/CHF 0.97 and a maturity of three months. During the 2012/2013 financial year, the currency hedging transactions resulted in a net loss of CHF 0.01 million (previous year: loss of CHF 10.0 million).

As at the balance sheet date, 71 percent (previous year: 70 percent) of HBM Healthcare Investments' total assets were subject to foreign currency risks.

The following table demonstrates the sensitivity of HBM Healthcare Investments' annual result to a possible fluctuation in foreign exchange rates of +/- 10 percent, compared to the foreign exchange rates used for the financial statements as at 31 March 2013:

	Fair value	Foreign exchange rates +10%	Foreign exchange rates -10%
<b>31 March 2013</b> (CHF million)			
Net assets in USD	353	35	-35
Net assets in EUR	55	6	-6
Net assets held in other foreign currencies	20	2	-2
<b>31 March 2012</b> (CHF million)			
Net assets in USD	304	30	-30
Net assets in EUR	59	6	-6
Net assets held in other foreign currencies	16	2	-2

The Group's foreign currency exposure is continuously monitored by the Management and regularly examined by the Board of Directors.

### 11.5 Valuation risks and fair values

Given the uncertainties inherent in valuing private companies, the net asset value (NAV) reported by HBM Healthcare Investments may differ from the actual fair value of individual investments. As a result of valuation differences owing to the unavailability of information and the fact that investments are valued without third-party assistance, the estimated values of individual investments may diverge significantly from values that would have been used had a ready market for such securities existed. Such differences could have a material effect on the valuation of individual investments in the financial statements of HBM Healthcare Investments.

Valuations of difficult-to-assess investments are made by HBM Healthcare Investments in accordance with its accounting policies, as described in note 1.6, and are the sole responsibility of the Management. The following summary analyses assets and liabilities valued at their fair values, in accordance with their place in the valuation hierarchy, which is defined as follows:

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").

**Assets and liabilities at fair value as at 31 March 2013** (CHF million)

	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobservable inputs"	Total
Investments				
– Private companies			152.6	152.6
– Funds			80.8	80.8
– Public companies	278.9			278.9
Financial instruments		1.3		1.3
Other financial assets			34.7	34.7
<b>Total assets at fair value</b>	<b>278.9</b>	<b>1.3</b>	<b>268.1</b>	<b>548.3</b>
Financial instruments		0.2		0.2
<b>Total liabilities at fair value</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>

**Assets at fair value as at 31 March 2012 (restated)** (CHF million)

Investments				
– Private companies			200.6	200.6
– Funds			75.7	75.7
– Public companies	196.7			196.7
Financial instruments		0.3		0.3
Other financial assets			31.9	31.9
<b>Total assets at fair value</b>	<b>196.7</b>	<b>0.3</b>	<b>308.2</b>	<b>505.2</b>

**Assets and liabilities at fair value as at 1 April 2011 (restated)** (CHF million)

Investments				
– Private companies			270.7	270.7
– Funds			100.1	100.1
– Public companies	83.4			83.4
Financial instruments		0.6		0.6
Other financial assets			7.9	7.9
<b>Total assets at fair value</b>	<b>83.4</b>	<b>0.6</b>	<b>378.7</b>	<b>462.7</b>
Financial instruments		0.4		0.4
<b>Total liabilities at fair value</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>

The Enanta IPO resulted in assets amounting to CHF 6.9 million being reclassified from level 3 to level 1 in the 2012/2013 financial year.

As at 31 March 2012, there were no liabilities that are carried at fair value.

**11.6 Interest rate risks**

HBM Healthcare Investments' exposure to interest rate risk is low because the Company holds only short-term positions in cash and cash equivalents.

**11.7 Credit risks**

Credit risks with regard to all assets of HBM Healthcare Investments relate to the risk that a debtor may become unable to meet its liabilities. In order to minimise this risk, HBM Healthcare Investments 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 on 31 March 2013, there were no receivables overdue, and there

were no recorded losses on receivables during the 2012/2013 financial year. For the expected payments from deferred purchase price and milestone payments, the maximum default risk refers to the book value of CHF 40.3 million (note 4 "Other financial assets").

### 11.8 Capital management

The Company manages its shareholders' equity within the limits of the law and in accordance with its investment strategy and 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 6.1 "Treasury shares".

## 12. Transactions with related parties

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

The members of the Board of Directors received a fee for the first time for the 2006/2007 financial year. The members of the Board of Directors were not paid any directors' remuneration from the foundation of the Company in 2001 up to the end of the 2005/2006 financial year.

Members of the Board of Directors are entitled to a fixed fee and performance-based compensation.

The fixed fee for the Chairman amounted to CHF 240,000 in the reporting year. As of 1 April 2013, it will be reduced to CHF 120,000 per year. The fixed fees for the Vice Chairman and the other four members of the Board of Directors remain unchanged at CHF 50,000 and CHF 35,000 respectively per year. In addition, the two members of the Audit Committee receive a fixed fee of CHF 30,000 each per

year. The Board of Directors is also entitled to claim a performance fee of a total of five percent of the performance fee paid by HBM Healthcare Investments to HBM Partners (note 8.2 "Performance fee"). 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 Investments, 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 420,500 (previous year: CHF 327,500 for five members) for the 2012/2013 financial year. In addition, the two members of the Audit Committee received fees totalling CHF 60,000 (previous year: CHF 60,000). The social security contributions and duties paid by the Company on these fees came to a total of CHF 22,000 (previous year: CHF 15,000). No performance fee was paid to the Board of Directors (previous year: none).

In the 2012/2013 financial year, the members of Management, who are also employed by HBM Partners, received about a third of their total fixed fee paid out from HBM Healthcare Investments Ltd. For the 2012/2013 financial year, this fee totalled CHF 244,000 (previous year: CHF 367,000), 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 the Management is shown in the notes to the Parent Company Financial Statements on page 71. The Board of Directors as a whole is responsible for determining compensation.

The following member of HBM Healthcare Investments' management is holding a stake in HBM Partners Ltd: Dr Andreas Wicki, Member of the Board of Directors and Chief Executive Officer of HBM Partners Ltd.

### **12.2 Investment holdings**

HBM Healthcare Investments holds an investment in the Hatteras Venture Partners III fund, where the Board member Robert A. Ingram serves as a General Partner. Details on the investment commitment, paid-in capital and valuation of this investment can be found in the overview of funds given on page 50.

### **13. Events after the balance sheet date**

The Board of Directors of the Company adopted these Consolidated Financial Statements on 2 May 2013. They will be presented to the Ordinary Shareholders' Meeting on 21 June 2013 for approval.

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.

To the General Meeting of  
HBM Healthcare Investments Ltd, Zug

Zurich, 2 May 2013

### 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 income, comprehensive income, cash flows and changes in equity, and notes, for the year ended 31 March 2013, presented on pages 39 to 66.

#### *Board of Directors' responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the 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 and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

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

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

#### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 March 2013 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.

#### *Emphasis of matter*

We draw attention to notes 1.6 and 2 of the consolidated financial statements which have been prepared in accordance with article 16 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange. As indicated in note 2, investments in private companies and funds are measured at fair value of approximately CHF 233.4 million. Due to the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values could differ from their realisable values, whereas the difference may be material. The Board of Directors is responsible for the determination of these fair values. The procedures applied in valuing such investments are disclosed in note 1.6. We have reviewed these procedures and inspected the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment which cannot be independently verified. Our opinion is not qualified in respect to this matter.

### 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.

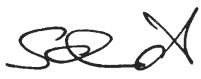
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young AG



Martin Mattes  
Licensed audit expert  
(Auditor in charge)



Jörg Schmidt  
Licensed audit expert

# Parent Company Financial Statements

## Balance sheet

	31.3.2013	31.3.2012
<b>Assets (CHF 000)</b>		
Current assets		
Cash and cash equivalents	3,254	2,541
Securities	12,731	24,790
Other current assets	23	24
<b>Total current assets</b>	<b>16,008</b>	<b>27,355</b>
Non-current assets		
Subsidiaries	605,600	616,088
<b>Total non-current assets</b>	<b>605,600</b>	<b>616,088</b>
<b>Total assets</b>	<b>621,608</b>	<b>643,443</b>
<b>Liabilities (CHF 000)</b>		
Short-term liabilities		
Liability to subsidiary	0	72,504
Other short-term liabilities	3	2
Accrued liabilities	579	510
<b>Total short-term liabilities</b>	<b>582</b>	<b>73,016</b>
Shareholders' equity		
Share capital	552,000	588,000
Reserves from capital brought in	182,488	172,255
Reserves for treasury shares	19,867	33,084
Free reserves	133,333	120,116
Accumulated income/loss	-266,662	-343,028
<b>Total shareholders' equity</b>	<b>621,026</b>	<b>570,427</b>
<b>Total liabilities</b>	<b>621,608</b>	<b>643,443</b>



# Parent Company Financial Statements

## Statement of income

### for the financial year ended 31 March

	2012/2013	2011/2012
<b>Operating income</b> (CHF 000)		
Financial income	1	10
Release of value adjustments on subsidiaries	77,512	0
Release of value adjustments on securities	865	0
<b>Total operating income</b>	<b>78,378</b>	<b>10</b>
<b>Operating expenses</b> (CHF 000)		
Value adjustments on subsidiaries	0	20,646
Value adjustments on securities	0	865
Financial expenses	18	2,328
Personnel expenses	1,038	1,053
Administration expenses	956	1,001
<b>Total operating expenses</b>	<b>2,012</b>	<b>25,893</b>
<b>Net result for the year</b>	<b>76,366</b>	<b>-25,883</b>

## Development of shareholders' equity

(CHF 000)	Number of shares	Share capital	Reserves from capital brought in	Reserves for treasury shares	Free reserves	Accumulated income/loss	Total shareholders' equity
<b>Balance as at 31 March 2010</b>	<b>10,700,000</b>	<b>642,000</b>	<b>159,266</b>	<b>30,358</b>	<b>122,842</b>	<b>-260,438</b>	<b>694,028</b>
Capital reduction (3.9.2010)	-500,000	-30,000	6,383	-23,617	23,617		-23,617
Increase in reserves for treasury shares				19,516	-19,516		0
Net result for the year						-56,707	-56,707
<b>Balance as at 31 March 2011</b>	<b>10,200,000</b>	<b>612,000</b>	<b>165,649</b>	<b>26,257</b>	<b>126,943</b>	<b>-317,145</b>	<b>613,704</b>
Capital reduction (1.9.2011)	-400,000	-24,000	6,606	-17,394	17,394		-17,394
Increase in reserves for treasury shares				24,221	-24,221		
Net result for the year						-25,883	-25,883
<b>Balance as at 31 March 2012</b>	<b>9,800,000</b>	<b>588,000</b>	<b>172,255</b>	<b>33,084</b>	<b>120,116</b>	<b>-343,028</b>	<b>570,427</b>
Capital reduction (4.9.2012)	-600,000	-36,000	10,233	-25,767	25,767		-25,767
Increase in reserves for treasury shares				12,550	-12,550		0
Net result for the year						76,366	76,366
<b>Balance as at 31 March 2013</b>	<b>9,200,000</b>	<b>552,000</b>	<b>182,488</b>	<b>19,867</b>	<b>133,333</b>	<b>-266,662</b>	<b>621,026</b>

# Parent Company Financial Statements

## Notes to the annual financial statements as at 31 March 2013

### 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. Treasury shares

The Ordinary Shareholders' Meeting of 22 June 2012 authorised the Board of Directors to repurchase a maximum of 920,000 of the company's own shares via a second trading line in a share buy-back programme. The programme is intended to reduce capital and will run until 30 June 2015 ("2012 share buy-back programme"). Within the framework of this 2012 share buy-back programme, a total of 153,000 of the Company's own shares have been purchased to date. Together with the 110,000 of its own shares which were acquired as part of the 2009 share buy-back programme but have not yet been cancelled, the Company held 263,000 of its own shares as at the balance sheet date of 31 March 2013 (as at 31 March 2012: 597,345 own shares).

During the 2012/2013 financial year, the company acquired a total of 265,655 of its own shares via the second trading line, at an average price of CHF 48.34 per share (previous year: 648,034 own shares at an average price of CHF 43.50 per share). At the capital reduction of 4 September 2012, 2,655 own shares thereof were cancelled.

In addition, as at 31 March 2013, the Company held 144,362 treasury shares (as at 31 March 2012: 155,710 shares), acquired via the regular trading line, indirectly via its HBM Healthcare Investments (Cayman) Ltd subsidiary. During the financial year, 222,810 treasury shares were acquired via the regular trading line at an average price of CHF 49.69 (previous year: 124,064 shares at CHF 43.14), while 234,158 treasury shares were sold at an average price of CHF 48.76 (previous year: 184,044 shares at CHF 48.55).

### 3. Significant shareholders

Based on the information received by the Company, the following shareholders report equity holdings in HBM Healthcare Investments Ltd of three per cent or more as at 31 March 2013:

Shareholding	Shareholder	Latest notification
10–15%	Astellas Pharma Inc., Tokyo, Japan	7.4.2011
	Shareholder group: Alpine Select Ltd, Zug & Absolute Invest Ltd, Zug	25.6.2012
3–5%	Red Rocks Capital LLC, Golden, CO, USA	4.10.2012
	HBM Healthcare Investments Ltd, Zug (treasury shares)	31.3.2013

### 4. Information about the completion of a risk assessment

The Board of Directors conducts an annual assessment of business risks. The basis for the analysis is a risk matrix that identifies and evaluates significant risks and defines the necessary measures to monitor and mitigate these risks.

### 5. Major subsidiaries

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

	Capital as at 31.3.2013	Capital as at 31.3.2012
(CHF 000) HBM Healthcare Investments (Cayman) Ltd, Cayman Islands	846,000	934,000

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", and approved by the Board of Directors. Given the uncertainty inherent in valuing such investments in general, the

reported valuations may differ from the values that might have been resulted had an active market existed for the investments. The CHF 605.6 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 of the valuations of the investments held by the subsidiary. As a result, changes in the valuations of the subsidiary's investments have an impact on the book value of this holding in HBM Healthcare Investments Ltd's balance sheet.

## 6. Remuneration to the Board of Directors and the Management

### Board of Directors (CHF 000)

	Board of Directors fees and salaries 2012/2013	Audit Committee fees 2012/2013	Social security and duties 2012/2013	Total remuneration 2012/2013	Total remuneration 2011/2012
Hans Peter Hasler, Chairman	240	0	8	248	180
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	50	30	12	92	86
Mario G. Giuliani, Member (since 22.6.2012)	26	0	1	27	0
Dr Eduard E. Holdener, Member	35	0	1	36	37
Robert A. Ingram, Member	35	0	0	35	35
Dr Rudolf Lanz, Member	35	30	0	65	65
<b>Total Board of Directors</b>	<b>421</b>	<b>60</b>	<b>22</b>	<b>503</b>	<b>403</b>
<b>Management</b>					
Dr Andreas Wicki, CEO	133	0	9	142	142
Erwin Troxler, CFO (since 1.11.2011) <sup>1)</sup>	95	0	7	102	102
<b>Former members of Management</b>					
Dr Joachim Rudolf, CFO (until 31.10.2011)	0	0	0	0	123
<b>Total Management</b>	<b>228</b>	<b>0</b>	<b>16</b>	<b>244</b>	<b>367</b>

1) As Erwin Troxler was already employed by HBM Healthcare Investments Ltd before taking office as CFO, the compensation covers all 12 months of the 2011/2012 financial year.

The HBM Healthcare Investments (Cayman) Ltd subsidiary has entered into a management agreement with HBM Partners (Cayman) Ltd. This agreement obliges HBM Partners to provide management services in connection with the investment activities of HBM Healthcare Investments. The management fee paid to HBM Partners in the 2012/2013 financial

year amounted to CHF 7.9 million (previous year: CHF 8.2 million). Further details can be found in the Consolidated Financial Statements, in note 8 "Management and performance fee" on pages 58 and 59, and in note 12 "Transactions with related parties" on pages 65 and 66.

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

### Board of Directors

	Registered shares as at 31.3.2013	Registered shares as at 31.3.2012
Hans Peter Hasler, Chairman	13,000	13,000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	3,500	3,500
Mario G. Giuliani, Member (since 22.6.2012)	91,790	n/a
Dr Eduard E. Holdener, Member	2,000	2,000
Robert A. Ingram, Member	1,000	1,000
Dr Rudolf Lanz, Member	3,300	3,300

### Management

Dr Andreas Wicki, CEO	33,290	32,490
Erwin Troxler, CFO	1,000	500

## 8. Events after the balance sheet date

The board of directors of the Company adopted these statutory annual financial statements on 2 May 2013. 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.

To the General Meeting of  
HBM Healthcare Investments Ltd, Zug

Zurich, 2 May 2013

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

As statutory auditor, we have audited the financial statements of HBM Healthcare Investments Ltd, which comprise the balance sheet, statement of income and notes (pages 68 to 72), for the year ended 31 March 2013.

##### *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 2013 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 recommend that the financial statements submitted to you be approved.

Ernst & Young AG



Martom Mattes  
Licensed audit expert  
(Auditor in charge)



Jörg Schmidt  
Licensed audit expert

## Significant shareholders

Based on the notifications received by the Company, the following shareholders report equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2013:

Shareholding	Shareholder	Latest notification
10–15%	Astellas Pharma Inc., Tokyo, Japan	7.4.2011
	Shareholder group: Alpine Select Ltd, Zug & Absolute Invest Ltd, Zug	25.6.2012
3–5%	Red Rocks Capital LLC, Golden, CO, USA	4.10.2012
	HBM Healthcare Investments Ltd, Zug (treasury shares)	31.3.2013

## 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

Hans Peter Hasler, Chairman
Prof. Dr Dr h.c. mult. Heinz Riesenhuber <sup>1)</sup> , Vice Chairman
Mario G. Giuliani
Dr Eduard E. Holdener
Robert A. Ingram <sup>2)</sup>
Dr Rudolf Lanz <sup>1)2)</sup>
Dr Benedikt Suter, Secretary to the Board of Directors

<sup>1)</sup> Member of the Audit Committee

<sup>2)</sup> Member of the Nominating Committee

## Management

Dr Andreas Wicki, Chief Executive Officer
Erwin Troxler, Chief Financial Officer

## Fees

Management fees (paid quarterly):	
1.2% of Company assets plus	
0.3% of the Company's market capitalisation	
Performance fee (paid annually on increase in value above the high water mark)	15%
High water mark per share	
for all outstanding shares	NAV of CHF 107.71



# 13

## Credits

Editorial HBM Healthcare Investments Ltd

Photography iStockphoto, Keystone and Stephan Rappo

Concept and realisation Weber-Thedy, Corporate & Financial Communications

Design Küng Art Direction

Layout and print Bader + Niederöst AG

Copyright © 2013 HBM Healthcare Investments Ltd

The Annual Report is published in English and German.

The German version is binding in all matters of interpretation.

# 31