



Annual Report

2017 2018

HBM Healthcare
Investments



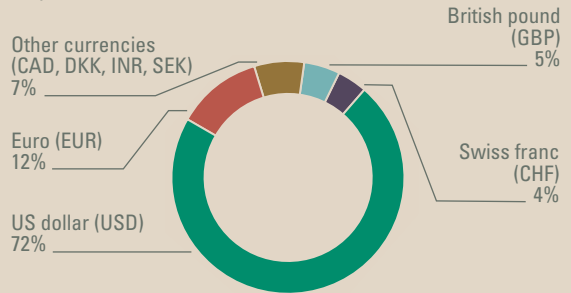
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HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. The company holds and manages an international portfolio of promising companies.

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

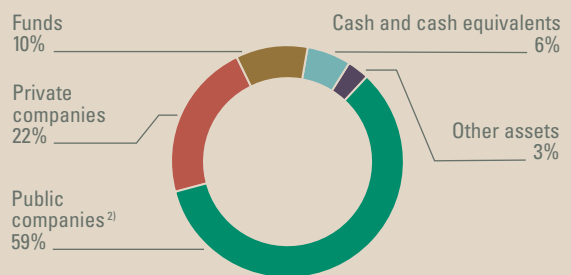
Currency allocation of assets¹⁾

Emphasis on US dollar investments.



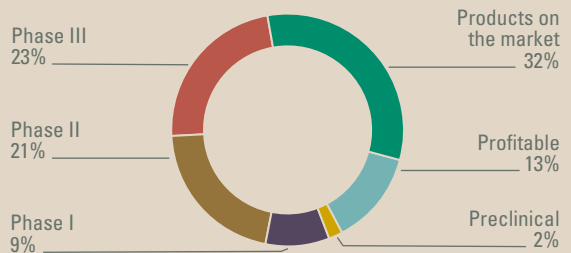
Allocation of assets¹⁾

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

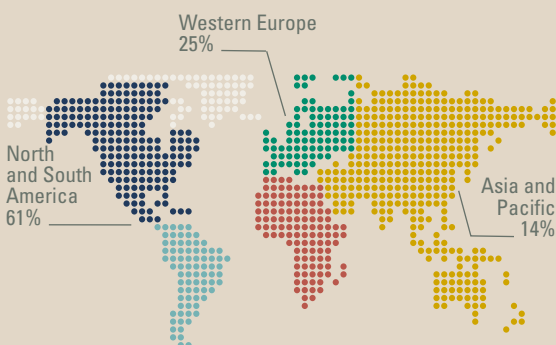


Development phase of portfolio companies³⁾

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

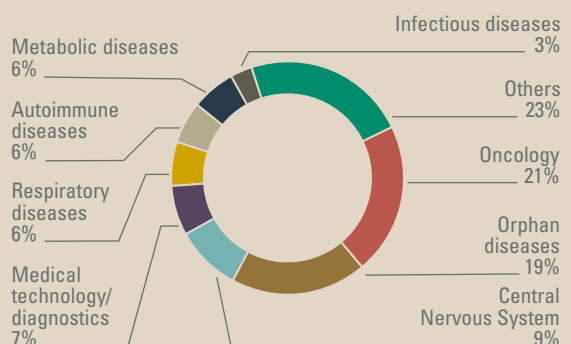


Investments by continents³⁾



Therapeutic area of the lead product of portfolio companies³⁾

Broadly diversified areas of activity.



1) Total assets as at 31.3.2018: CHF 1 277 million.

2) About a fifth of this amount is hedged.

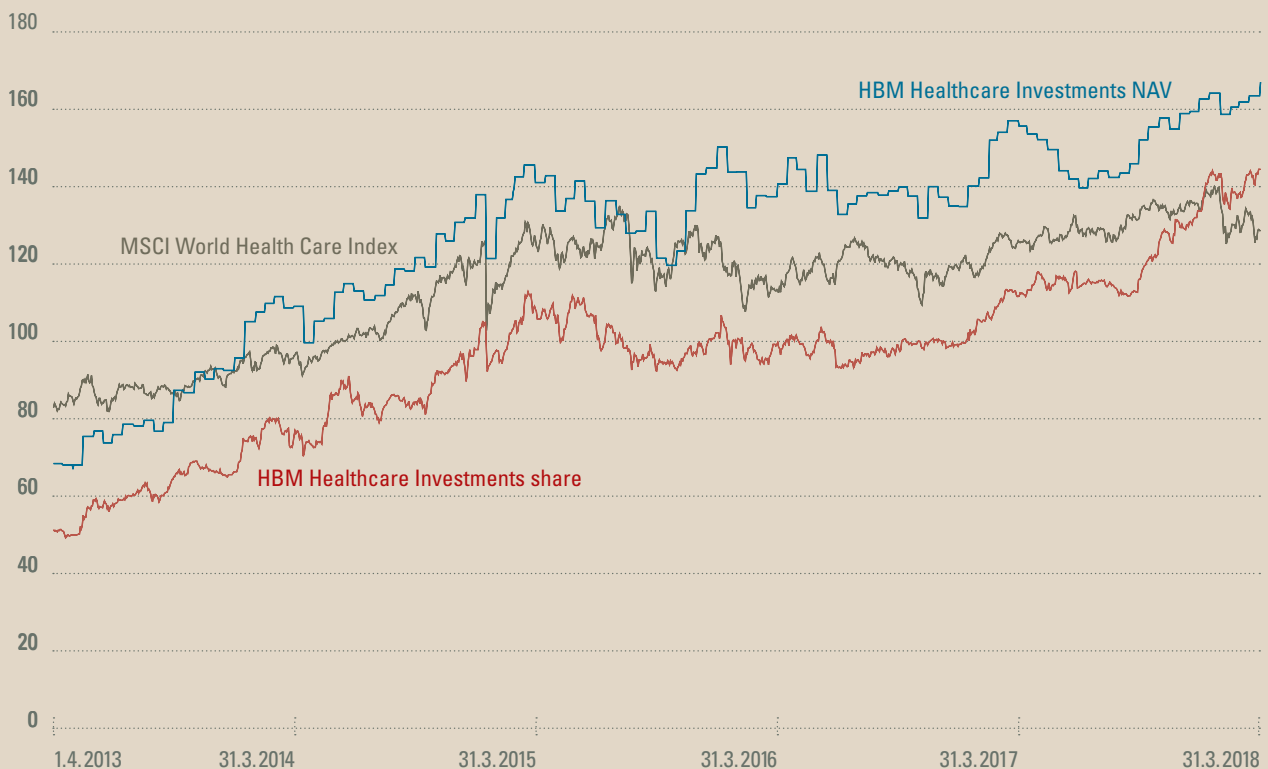
3) Total investments as at 31.3.2018: CHF 1 164 million.

Key Figures		31.3.2018	31.3.2017	restated 31.3.2016	restated 31.3.2015	31.3.2014
Net assets	CHF million	1 157.9	1 095.8	1 034.8	1 086.6	920.3
Investments in private companies and funds		413.9	274.3	299.5	273.4	218.8
Investments in public companies		750.0	813.6	677.0	748.1	630.5
Cash and cash equivalents		220.1	210.0	104.8	140.4	46.5
Net result for the year	CHF million	115.9	136.8	23.8	257.5	353.5
Basic earnings per share	CHF	16.55	18.96	3.11	32.47	40.98
Net asset value (NAV) per share	CHF	166.43	155.09	139.41	140.12	108.76
Share price	CHF	144.00	111.40	99.45	108.00	75.50
Discount	%	-13.5	-28.2	-28.7	-22.9	-30.6
Distribution per share	CHF	7.00 ¹⁾	5.80	5.50	5.50	3.00
Distribution yield	%	4.9	5.2	5.1	5.1	4.0
Shares issued	Registered shares (m)	7.0	7.3	7.7	8.0	8.9
Shares outstanding	Registered shares (m)	7.0	7.1	7.4	7.8	8.5

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

Performance (including distributions)		2017/2018	2016/2017	restated 2015/2016	restated 2014/2015	2013/2014
Net asset value (NAV)	%	11.1	15.2	3.4	31.6	61.3
Registered share HBMN	%	34.5	17.5	-2.8	47.0	50.0

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



CHF 116 million
Profit for the 2017/2018 financial year

Biggest ever
realized gain from a single investment

USD 200 million
Total profit from the investment in
Advanced Accelerator Applications

34.5 percent
Value increase
of HBMN share incl. cash distribution

CHF 7.00 per share
Cash distribution to shareholders –
increase of 20 percent





2700

That is the number of people in Switzerland who will develop melanoma each year. This most dangerous form of skin cancer is generally caused by excessive exposure to UV radiation.

The skin cells damaged by UV rays can become cancerous. In addition to conventional molecular therapy and chemotherapy, new types of treatment which enable the body's own immune system to fight the cancer cells have been a resounding success in some groups of patients. These immunotherapies are currently being tested in hundreds of different combinations to expand their range of use. With its AM0010 compound, portfolio company ARMO BioSciences also has a promising candidate, both as a stand-alone drug and as part of combination therapy.

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



The financial year just ended saw HBM Healthcare Investments continue along its successful path. The Company closed the 2017/2018 reporting period with a profit for the sixth successive year. The CHF 116 million surplus allows for a number of new investments, as well as for an attractive cash dividend of CHF 7.00 per share (+20 percent). Our long-term commitment to reducing our discount has also paid off, with the difference between share price and net asset value having contracted to just over ten percent.

With its strong innovative drive, the healthcare market continues to offer appealing investment opportunities. During the reporting year, HBM Healthcare Investments' new commitments emphasised three companies with attractive risk profiles (Amicus, Harmony Biosciences, and Y-mAbs Therapeutics), rounded out by ten smaller holdings in companies with promising clinical development programmes.

Dear Shareholders

HBM Healthcare Investments closed the 2017/2018 financial year with a very pleasing performance. Net asset value (NAV) per share rose by 11 percent, while the share price advanced by 34 percent, thus significantly reducing the discount. It now stands at a little over ten percent. We regard this as further evidence of the confidence that you, our valued shareholders, have in our strategy, in our portfolio, and in the expertise of the entire HBM team. We also see it as an obligation to continue along our present path. At CHF 115.9 million, profit for the year will once again enable us to pay an attractive cash dividend.



Strong innovative drive in the healthcare sector

The healthcare market continues to be characterised by its enormous innovative drive. Allow us to mention two examples of particular relevance to Switzerland and to the HBM Healthcare Investments portfolio.

Last summer, Novartis made medical history with Kymriah™, as it became the first company ever to gain FDA approval for a ground-breaking new cancer treatment. It is based on the body's own T cells, which are taken from the immune system of a person with leukaemia, and then modified so that, when reintroduced, they recognise tumour cells and fight them successfully. This novel therapeutic approach is likely to be used in many other types of cancer in the future. In ARMO BioSciences – which had a successful IPO at the beginning of 2018 – the HBM Healthcare Investments portfolio includes a company which offers great potential in immuno-oncology. In mid May 2018, the company agreed to the acquisition offer from Eli Lilly of USD 1.6 billion.

"We regard the significant reduction of the share price discount as evidence of confidence in our strategy, in our portfolio, and in the expertise of the entire HBM team."

Hans Peter Hasler
Chairman of the Board of Directors

Alongside immuno-oncology, gene therapies are a further area with enormous potential for the future, for example in the treatment of many genetic diseases. Gene therapy uses complex processes to introduce intact genes into cell nuclei to replace faulty genes. The appeal of this field is reflected in this April's announcement that Novartis is to acquire AveXis for USD 8.7 billion. HBM Healthcare Investments will benefit from the takeover via its holding in AveXis.

The affected patients are not the only ones who will benefit from this positive momentum; it also offers a whole range of opportunities for HBM Healthcare Investments. There are many promising new investments to choose from, but picking the right ones requires considerable expertise and experience – not to mention a little luck. The AveXis example also shows that, as takeover candidates, companies with innovative approaches to treatment achieve enormous value growth.

Review of the 2017/2018 financial year

The investment portfolio generated an increase in value of CHF 152.6 million net in the reporting period. This was held back to some extent by negative currency trends (CHF –29 million), and our partial hedge of exchange-listed securities (CHF –28 million).

In the portfolio of private companies, the valuation of Cathay Industrial Biotech was increased by CHF 43.3 million on the strength of its business performance and the resulting growth in revenue and profits. The takeovers of TandemLife (also known as Cardiac Assist) by LivaNova (CHF 28 million) and of True North Therapeutics by Bioverativ/Sanofi (CHF 9.5 million) also contributed substantially to profits. In addition, two IPOs – ARMO BioSciences (CHF 34.7 million) and Homology Medicines (CHF 6.5 million) – resulted in significant increases in value.

"When making new investments in private companies, our focus is also on the fast-growing regions of Asia, where we want to further increase our exposure."

Dr Andreas Wicki
Chief Executive Officer

Meanwhile, private company Vitaeris entered into a strategic partnership with CSL to develop the clazakizumab antibody. CSL is financing clinical trials, and in return received the option to purchase Vitaeris at a later point in time. In line with our prudent valuation policy, this deal had no immediate effect on the carrying value of this holding. However, there might be a significant increase in Vitaeris's valuation if the clinical trials are completed successfully and CSL exercises its purchase option.

Among our public companies, our holding in Advanced Accelerator Applications generated the largest single profit contribution, of CHF 105.2 million. The company was acquired by Novartis for USD 3.9 billion during the year under review. Other major contributions were generated by our investments in AnaptysBio (CHF 33.4 million), Argenx (CHF 26.0 million), Esperion Therapeutics (CHF 19.6 million) and Neurocrine Biosciences (CHF 15.5 million).

Not everything went to plan, however. At Vectura Group there was a delay in approval for the generic version of Advair in the USA. The FDA is requesting additional study data from development partner Hikma. Hikma and Vectura now expect an approval in 2020. The news cut the value of our holding in Vectura by CHF 54.0 million during the reporting year. Meanwhile, the Pacira Pharmaceuticals share price came under pressure owing to mixed results from the phase-III studies aimed at extending approval for its Exparel® pain relief drug to a further indication, nerve blockage. The value of our holding fell by CHF 17.6 million as a result. In February, the majority of an FDA Advisory Committee rejected extended approval, before the FDA granted it nonetheless in early April 2018, after which the share price recovered somewhat. Our holdings in Tesaro (CHF – 19.9 million) and Nabriva Therapeutics (CHF – 18.0 million) also proved a drain on the annual result.

Management fees (CHF 14.2 million), the performance fee paid to the Investment Advisor (CHF 15.9 million) and the variable compensation for the Board of Directors (CHF 1.0 million) are in line with the increase in net assets and value growth that have been achieved.



Portfolio and new investments in private companies

A total of CHF 121 million was dedicated to new investments and follow-on financing rounds in private companies during the reporting year. Swiss company Amicus Ltd, which specialises in the sale of pharmaceutical products and medical devices in central and eastern Europe, received EUR 20 million. USD 30 million was invested in US company Harmony Biosciences. Harmony acquired the US rights to a compound for the treatment of narcolepsy in adults which has already been approved in Europe. The aim is to secure approval for the drug on the US market. Finally, USD 23 million went to Y-mAbs Therapeutics, which is developing a promising pipeline of immunotherapies to treat cancer in children.

In addition to these three major investments in companies with attractive risk profiles, we made ten smaller-scale investments of between CHF 2 million and CHF 8 million each in companies with promising clinical development programmes. It is to be expected that these companies will require further capital over time, and that our investment holdings will grow in line with the progress they make.

The portfolio of funds recorded a high level of return cash flows, totalling CHF 52 million. Capital payments into investment funds came to a total of CHF 23 million. Part of this liquidity was allocated to investment teams with a focus on China, via new investment commitments of USD 25 million to 6 Dimension Capital and of USD 5 million to BioVeda China IV. This further increases the proportion of the portfolio invested in this growing healthcare market.



All in all, the HBM Healthcare Investments portfolio remains well balanced: private companies (including funds and milestone payments) accounted for 38 percent of net assets, and public companies 65 percent (around one fifth of which is subject to a market hedge).

Cash dividend boosted by 20 percent

The Board of Directors is proposing to the Shareholders' Meeting that the cash dividend from the capital reserve be increased by CHF 1.20 per share (+20 percent) to a total of CHF 7.00 per share. Based on the share price at the end of the financial year, this corresponds to a distribution yield of 4.9 percent.

Should you, our shareholders, adopt the Board's proposals, CHF 5.50 per share will be paid out from the available capital reserve after the Shareholders' Meeting, before the end of June. This payment will almost exhaust the capital reserve. The Board of Directors is thus also proposing a reduction of CHF 30 in par value per share, in other words from CHF 58.50 to CHF 28.50 per share, in order to replenish this reserve. This will ensure that, providing the business does well, we can continue to pursue our distribution policy of withholding tax-exempt cash dividends in the years to come.

The remaining amount of CHF 1.50 per share will then be paid once the par value reduction has been completed, before the end of September 2018, from the newly increased capital reserve.

"At CHF 115.9 million, profit for the year will once again enable us to pay an attractive cash dividend."

Erwin Troxler
Chief Financial Officer

Outlook

The innovative drive and long-term growth prospects of the healthcare sector remain positive. We thus believe that mergers and acquisitions activity in the sector will continue at a high level. Tax reforms in the USA are likely to provide additional support for this.

The major holdings in the portfolio of private companies are developing positively, and we expect to realise significant added value from these investments in the coming years as a result of IPOs or trade sales.

We will make further new investments in private companies within the framework defined by our investment strategy. Our focus is also on the fast-growing regions of Asia, where we want to further increase our exposure.

A number of events that will have a bearing on the value of HBM Healthcare Investments – such as clinical study data and approval decisions – are expected for the portfolio of public companies. We also expect volatility in the sector to remain high, and will thus continue to hedge part of our market risk for the time being.

Finally, our thanks to you, our shareholders, for the confidence that you have placed in us.



Hans Peter Hasler
Chairman of the Board of Directors



Dr Andreas Wicki
Chief Executive Officer



Erwin Troxler
Chief Financial Officer

Balance sheet (CHF 000)	Notes to IFRS Group Financial Statements ¹⁾	Consolidated Financials ²⁾ 31.3.2018 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 31.3.2018 (audited)
Assets				
Current assets				
Cash and cash equivalents		220 073	– 213 551	6 522
Receivables		430	– 393	37
Financial instruments	(3.2)	3 121	– 3 121	0
Total current assets		223 624	– 217 065	6 559
Non-current assets				
Investments	(3.1)	1 163 904	– 1 163 904	0
Other financial assets	(3.3)	29 740	– 29 740	0
Investment in subsidiary		0	1 253 924	1 253 924
Total non-current assets		1 193 644	60 280	1 253 924
Total assets		1 417 268	– 156 785	1 260 483
Liabilities				
Current liabilities				
Financial instruments	(3.2)	147 628	– 147 628	0
Liability from performance fee		16 960	– 15 942	1 018
Other liabilities		2 951	– 618	2 333
Total current liabilities		167 539	– 164 188	3 351
Non-current liabilities				
Financial liabilities	(4)	99 236	0	99 236
Total non-current liabilities		99 236	0	99 236
Shareholders' equity				
Share capital	(5.1)	411 840	0	411 840
Treasury shares	(5.2)	– 17 026	6 978	– 10 048
Capital reserve	(5.1)	189 849	– 4 531	185 318
Retained earnings		565 830	4 956	570 786
Total shareholders' equity		1 150 493	7 403	1 157 896
Total liabilities and shareholders' equity		1 417 268	– 156 785	1 260 483
Number of outstanding shares (in 000)		6 906	51	6 957
Net asset value (NAV) per share (CHF)		166.60		166.43

- 1) Details on the individual items can be found in the notes to the audited IFRS Group Financial Statements of the annual report.
- 2) Consolidated financials of the HBM Healthcare Group with full consolidation of the subsidiary HBM Healthcare Investments (Cayman) Ltd and its subsidiary HBM Private Equity India Ltd, Republic of Mauritius.
- 3) Reconciliation to the audited IFRS Group Financial Statements. Based on IFRS 10, the subsidiary is no longer consolidated, but

is valued individually at fair value through profit and loss. The differences in equity and net profit for the year result from the shares of the parent company held by the subsidiary. In the consolidated financial statements, these are deducted from equity at their acquisition cost. In the IFRS Group Financial Statements, they are valued at fair value through profit and loss by the subsidiary.

Statement of comprehensive income for the financial year ended 31 March (CHF 000)	Notes to IFRS Group Financial Statements ¹⁾	Consolidated Financials ²⁾ 2017/2018 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 2017/2018 (audited)
Net result on investments	(3.1)	190 868	– 190 868	0
Dividend income		140	– 140	0
Net result from financial instruments	(3.2)	– 33 938	33 938	0
Net result from other financial assets		– 6 515	6 515	0
Dividend income from investment in subsidiary		0	60 000	60 000
Net change in value of investment in subsidiary		0	61 090	61 090
Result from investment activities		150 555	– 29 465	121 090
Management fee	(3.4.1)	– 14 229	14 229	0
Performance fee	(3.4.2)	– 15 942	15 942	0
Personnel expenses	(6)	– 2 749	841	– 1 908
Other operating expenses		– 1 399	528	– 871
Result before interest and taxes		116 236	2 075	118 311
Financial expenses		– 2 438	0	– 2 438
Financial income		34	– 33	1
Income taxes		0	0	0
Net result for the year		113 832	2 042	115 874
Comprehensive result		113 832	2 042	115 874
Number of outstanding shares, time-weighted (in 000)		6 943	58	7 001
Basic earnings per share (CHF)		16.40		16.55

For the footnotes, see page 12.

Statement of cash flows for the financial year ended 31 March (CHF 000)	Consolidated Financials ²⁾ 2017/2018 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 2017/2018 (audited)
Management fee paid	- 14 229	14 229	0
Performance fee for previous reporting period paid	- 23 548	23 548	0
Expenses paid (personnel and other operating expenses)	- 3 513	364	- 3 149
Net cash flow from operating activities	- 41 290	38 141	- 3 149
Interest and dividend payments received	140	- 140	0
Dividend payment from subsidiary received	0	60 000	60 000
Purchase of investments	- 556 505	556 505	0
Sale of investments	661 570	- 661 570	0
Payments received from escrow amounts and milestones, net	22 317	- 22 317	0
Net cash flow from financial instruments for currency hedging	- 1 816	1 816	0
Net cash flow from financial instruments for market hedging	- 20 467	20 467	0
Purchase of other financial instruments	- 5 201	5 201	0
Sale of other financial instruments	14 064	- 14 064	0
Net cash flow from investing activities	114 102	- 54 102	60 000
Interest payments paid	- 2 239	- 34	- 2 273
Cash distribution from capital reserve	- 40 770	- 13	- 40 783
Purchase of treasury shares	- 69 986	56 599	- 13 387
Sale of treasury shares	60 103	- 60 103	0
Net cash flow from financing activities	- 52 892	- 3 551	- 56 443
Currency translation differences	- 9 852	9 851	- 1
Net change in cash and cash equivalents	10 068	- 9 661	407
Cash and cash equivalents at beginning of period	210 005		6 115
Cash and cash equivalents at end of period	220 073		6 522

For the footnotes, see page 12.

Statement of changes in equity (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total consolidated shareholders' equity ²⁾ (unaudited)	Translation ³⁾	Total shareholders' equity IFRS (audited)
Balance as at 31 March 2017	427 050	-31 688	239 522	451 998	1 086 882	8 879	1 095 761
Comprehensive result				113 832	113 832	2 042	115 874
Purchase of treasury shares		-69 554			-69 554	56 598	-12 956
Sale of treasury shares		57 745	2 358		60 103	-60 103	0
Distribution from capital reserve (30.6.2017)			-40 770		-40 770	-13	-40 783
Capital reduction (14.9.2017)	-15 210	26 471	-11 261		0	0	0
Balance as at 31 March 2018	411 840	-17 026	189 849	565 830	1 150 493	7 403	1 157 896

For the footnotes, see page 12.

Portfolio Companies



CHF 87 million Cathay Industrial Biotech
(fair value CHF 87.3 million / 7.5% of net assets)

ARMO BioSciences **CHF 57 million**
(fair value CHF 56.8 million / 4.9% of net assets)

CHF 38 million Argenx
(fair value CHF 38.4 million / 3.3% of net assets)

Harmony Biosciences **CHF 31 million**
(fair value CHF 31.1 million / 2.7% of net assets)

CHF 28 million Esperion Therapeutics
(fair value CHF 27.6 million / 2.4% of net assets)

Y-mAbs Therapeutics **CHF 22 million**
(fair value CHF 22.2 million / 1.9% of net assets)

CHF 20 million AnaptysBio
(fair value CHF 19.9 million / 1.7% of net assets)

Cathay Industrial Biotech

Shanghai, China

USD **1081** million

Company valuation as at 31.3.2018

Environmentally friendly
nylon production

Market leader
in dicarboxylic acids

CHF **87** million

Fair value as at 31.3.2018

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

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

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

The past year saw production capacity for the "Dicarboxylic acids" and "Green nylon" divisions expanded. Cathay has developed TerryI® ("green nylon", polyamide 56), a novel organically-based textile fibre with significantly improved properties compared to common nylon with regard to moisture absorption and regulation, dye absorption, elasticity, and flame retardancy. Moreover, Cathay could be the first company worldwide to produce diamine 5 commercially from renewable materials. Diamine is used in combination with dicarboxylic acids (such as adipic acid) to manufacture nylon (polyamide 56). This enables nylon to be produced in a more environmentally friendly way, without requiring concentrated acids and mineral oil, and avoiding unwanted by-products.

In the past year, Cathay reported strong growth in its core business areas. The company is profitable. In the medium term, the company is targeting an IPO to further finance its growth.

ARMO BioSciences

Redwood City, USA

USD 1138 million
Market capitalisation as at 31.3.2018

Novel
immuno-oncology therapy

CHF 57 million
Fair value as at 31.3.2018

Share price since IPO

NASDAQ



26.1.2018 to 31.3.2018

Unlike existing treatments for cancer, immuno-oncology therapies, also known as checkpoint inhibitors, do not attack the cancer cells themselves. Instead, they help the body's own immune system to destroy the cancer. This function is impaired or lost entirely where cancer cells disable immune cells (T cells). New immuno-oncology drugs ensure that these T cells are – and remain – fully functioning.

ARMO BioSciences has a drug pipeline that is in the middle and later phases of development. Its leading drug candidate is AM0010, which is being developed as both a straight compound and in combination with standard chemotherapy or with monoclonal anti-PD-1 antibodies. Here, anti-PD-1 stands for 'anti programmed death cell protein 1'. AM0010 is being tested in comprehensive clinical trials in patients with forms of pancreatic cancer,

non-small cell lung cancer, and renal cell cancer. It is also currently being evaluated in patients with organ cancers of various types.

The company's other development candidates include a proprietary checkpoint inhibitor and proprietary cytokines (IL-15 and IL-12), although these are at an early stage of development.

ARMO BioSciences uses human interleukin 10 (IL-10), cytokine, in an artificially produced (genetically engineered) form (PEG-IL-10) to encourage its immune-stimulant effect in cancer cells. IL-10 is an anti-inflammatory cytokine. By activating cytotoxic CD8+ T cells, it can help to fight tumours more effectively. Interleukin 10 induces CD8+ T cells, turning 'cold' tumours into 'hot' tumours, which respond better to immunotherapy. This counters the problem that the tumour is often infiltrated with too few immune cells (T cells). In combination with so-called new checkpoint inhibitors such as anti-PD-1, attempts are being made to further increase patients' response – and, ultimately – survival rates. To date AM0010 has achieved promising results in over 350 patients with different types of cancer. Further data from several clinical trials is expected this year and next.

Argenx

Breda, Netherlands

EUR **2117** million

Market capitalisation as at 31.3.2018

New compounds for
autoimmune disorders

Share price

EURONEXT



CHF **38** million

Fair value as at 31.3.2018

Antibodies – also known as immunoglobulins – play a key role in fighting off infection. They tag pathogens that have entered the body, and activate other elements of the immune system, to neutralise antigens. Autoimmune diseases are disorders which result in the immune system attacking the body's own cells instead of these foreign agents. Antibody therapies therefore involve introducing specific antibodies into the body to regulate the disordered immune system.

Argenx focuses on developing antibody therapies to treat severe autoimmune diseases and cancer. Its development pipeline encompasses a variety of clinical product candidates. Of these, ARGX-113 (efgartigimod) is the most advanced, with trials currently testing its use in the treatment of three immunoglobulin G (IgG)-related autoimmune diseases. The IgGs account for about 60 to 80 percent of all antibodies and are the only immunoglobulins that can penetrate the placental barrier and thus pass from the mother's into the child's circulation. IgGs occur in breast milk but also in blood serum.

In addition, the focus is on the neonatal Fc receptor (FcRn). The Fc domain of immunoglobulin G1 binds to this neonatal Fc receptor. This receptor is expressed throughout life and is part of a natural mechanism by which immunoglobulins are protected from lysosomal degradation and can be returned to the bloodstream, resulting in a long plasma half-life. The neonatal FcRn plays an important role in the regulation of IgG concentration in blood serum. In principle, the half-life extension mediated by FcRn favours the immune defence by immunoglobulins, but also supports the half-life of IgG autoantibodies that attack the body's own cells and lead to tissue damage in autoimmune diseases.

ARGX-113 binds to the Fc receptor and interferes with the recycling of immunoglobulins, including "harmful" autoantibodies, thereby reducing their levels in the blood circulation. ARGX-113 has generated positive initial phase-II data in the treatment of myasthenia gravis, an autoimmune disease which causes muscle weakness. Further phase-II study data for the compound in the treatment of severe autoimmune diseases is expected in the course of this year. A further drug candidate, ARGX-110 (cusatuzumab), for the treatment of acute myeloid leukaemia, is also being tested at an early clinical development stage.

Harmony Biosciences

Plymouth Meeting, USA

USD **402** million

Company valuation as at 31.3.2018

Pitolisant about to start
market approval procedures in the US

Innovative drug
to treat **narcolepsy**

CHF **31** million

Fair value as at 31.3.2018

Narcolepsy is a rare and chronic neurological condition which places enormous strain on the body. This takes the form of excessive daytime sleepiness, accompanied in many cases by cataplexy – a sudden loss of muscle strength triggered by strong emotions – as well as hallucinations and other symptoms. It severely impairs the patient's quality of life. Two types of narcolepsy, type 1 (with cataplexy) and type 2 (without cataplexy) are currently recognised under ICSD-3-diagnostic criteria.

The drugs that are currently available for narcolepsy patients, especially those with cataplexy, are not sufficient. The approved compounds have a wide range of side-effects, or are not effective for both forms of the condition – daytime sleepiness and cataplexy – at the same time. Perhaps the best-known medication on the market is Xyrem[®], from

Jazz Pharmaceuticals. It is effective, but may trigger strong side-effects and is also potentially addictive. Xyrem[®] may therefore be prescribed only under very specific conditions and under strict supervision. Despite these issues, the drug generated revenues of more than a billion US dollars last year.

In October 2017, Harmony Biosciences purchased the exclusive rights to develop, register and commercialise pitolisant in the USA from the French company Bioprojet SCR, which developed the substance. Pitolisant is a selective histamine H3 receptor antagonist/inverse agonist, in other words a substance which inhibits this specific receptor. Histamine H3 receptors play an important role in regulating daytime sleepiness.

There have already been a large number of successful clinical trials of pitolisant, and the compound is therefore approved for use in the European Union. Specifically, pitolisant proved effective in treating both daytime sleepiness and cataplexy, and also has a very positive side-effect profile. The compound is marketed in Europe under the trade name WAKIX[®] for the treatment of narcolepsy in adults, both with and without cataplexy. There are no H3 receptor antagonists/inverse agonists currently approved for sale on the US market.

Esperion Therapeutics

Ann Arbor, USA

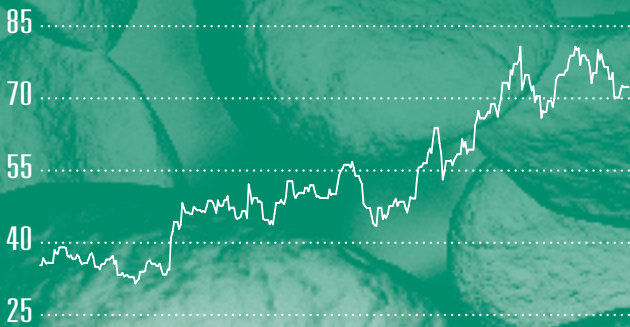
USD **1916** million

Market capitalisation as at 31.3.2018

Innovation in the treatment of high levels of
blood cholesterol

Share price

NASDAQ



1.4.2017 to 31.3.2018

CHF **28** million

Fair value as at 31.3.2018

Extremely high levels of blood cholesterol are most often caused by hereditary cholesterol metabolism disorders. Depending on the age, sex, lifestyle and eating habits of the patient, they may significantly increase their risk of a life-threatening heart attack and other vascular conditions. To date, the drug market has been dominated by statins, to reduce LDL (Low Density Lipoprotein) cholesterol. There is some debate about the use of statins, however. The incremental effect on LDL of increasing the statin dose is limited, and the risk of side-effects increases with that dose.

Esperion focuses on developing and marketing drugs to treat high cholesterol levels and other risk factors for cardiovascular and metabolic diseases. Many patients with high cholesterol choose to stop taking the standard statin treatment owing to its side-effects, such as aching muscles. Esperion's

leading product candidate, ETC-1002 (bempedoic acid) focuses on patients suffering this statin intolerance, and those in which even the highest tolerable statin dose is not sufficiently effective. Added to these are generally older patients who are at a higher risk of having a life-threatening heart attack or suffering other vascular diseases.

Esperion is currently running several different series of phase-III trials of differing durations on a total of just under 4000 patients. The initial results of the phase-II and phase-III studies that have been completed to date confirm the effectiveness and safety of ETC-1002 in reducing elevated LDL cholesterol. ETC-1002 has the potential to be used as an add-on treatment in addition to statins or novel biologics, as well as in patients who do not tolerate statins.

Although LDL levels are reduced by ETC-1002 to a significantly greater degree than through treatment with statins alone, the effect is lower than that of the PCSK9 inhibitors recently launched by Amgen (Repatha®) and Sanofi/Regeneron (Praluent®). That said, potential treatment using ETC-1002 should be more than an alternative, as it is administered in tablet form – like the current standard statin – and not as an injection as is the case with PCSK9, and is likely to be sold at a considerably lower price than the more expensive biologics produced by Amgen and Sanofi/Regeneron.

Y-mAbs Therapeutics

New York, USA

USD **284** million

Company valuation as at 31.3.2018

High medical value for cancer diseases
of the nervous system in children

Convincing
study results

CHF **22** million

Fair value as at 31.3.2018

Radioimmunotherapy combines the specificity of an antibody with tumour-killing radiation. In the form of radioimmunotherapy applied by Y-mAbs, a radioactive molecule (or isotope) is coupled with a monoclonal antibody which then binds specifically to cancer cells. The labelled antibody takes the cancer-killing radioactive radiation directly to the cancer cells, and does not bind to healthy cells. This achieves greater effectiveness and fewer side-effects than, for example, conventional whole-body radiation, as normal tissue largely remains untouched.

Y-mAbs Therapeutics develops innovative immune therapies to treat rare and difficult-to-treat cancers in childhood, as well as certain tumours in adults. These include neuroblastoma, a particularly malignant disease of the sympathetic nervous system which occurs primarily in early childhood. Current treatment methods are insufficient, as survival rates for children with neuroblastoma are very low.

Omburtamab, for the treatment of different forms of neuroblastoma that is metastasizing in the brain, is at an advanced stage of clinical development, as is naxitamab, to treat severe forms of neuroblastoma and osteosarcoma (bone cancer).

Omburtamab is a radiolabelled monoclonal antibody which binds to B7-H3 – a surface antigen that is expressed by many tumours, including neuroblastoma. Following application, Omburtamab binds to the tumour cells, which are then destroyed specifically and effectively by irradiating the radioactive isotope attached to the antibodies. Initial studies have showed promisingly successful treatment for diseases for which there is currently no effective therapy.

Naxitamab binds to another surface antigen that is expressed by many tumours, and also by neuroblastoma: disialoganglioside, or GD2. In these cases, the monoclonal antibody works in isolation, and is therefore administered unmodified to patients with neuroblastoma who either are not responding to standard therapies such as chemotherapy or radiation, or who have suffered a relapse. Since GD2 is also expressed on the surface of bone tumours (osteosarcoma), additional clinical trials are underway for this indication.

Furthermore, the company has a number of antibodies in pre-clinical development for the potential treatment of types of cancer for which there is considerable medical need.

AnaptysBio
San Diego, USA

USD 2478 million

Market capitalisation as at 31.3.2018

Promising
phase-II data

Share price

NASDAQ



1.4.2017 to 31.3.2018

CHF 20 million

Fair value as at 31.3.2018

There are various types of disorder of the immune system, including autoimmune diseases and allergies. Autoimmune diseases are where the immune system confuses the body's own tissue with foreign tissue, and begins an immune response. This results in severe inflammation and damage to the affected organs or the vascular system. By contrast, an allergy is the immune system's inappropriate over-reaction to harmless antigens, causing illness.

AnaptysBio is developing a variety of antibody compounds to treat inflammatory diseases. Its most advanced drug candidate, ANB020, is currently being tested in various series of trials. Initial data from a small-scale phase-II study in adult patients with atopic dermatitis (eczema) and peanut allergies is promising. AnaptysBio is therefore planned to evaluate the drug's safety and

effectiveness in a broader study in the course of this year. In addition, the results of trials involving adult patients with eosinophilic asthma are expected in the autumn of 2018.

Patients with atopic dermatitis produce high concentrations of interleukin 33 (IL-33). Interleukins are important signal molecules which communicate between the cells of the immune defence system. IL-33 is a protein which incites inflammation – a guard positioned between the body and the outside world. For example, if the epithelial tissue of skin is damaged, the cells there will release IL-33. These then coordinate the body's repair mechanisms and the immune response. The over-production of IL-33 in atopic dermatitis means that the immune system is over-activated. This is where the ANB020 compound helps, as it blocks the IL-33 receptor. Interleukin 33 occurs very early in the body's immune response, and thus has a significant effect on subsequent immune defence processes. Drugs such as ANB020 which focus on inhibiting IL-33 are therefore thought to have significant market potential.

In addition to antibody compounds to treat inflammatory diseases, AnaptysBio also has drug candidates in the cancer immunotherapy field.

Corporate Governance



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

This Corporate Governance Report contains the information, effective 31 March 2018, that is required by the "Directive on Information Relating to Corporate Governance (DCG)" issued by SIX Swiss Exchange, and the content and scope, which are required under the provisions of the "Ordinance against Excessive Compensation in Listed Companies (OAEC)" issued by the Federal Council and entered into force on 1 January 2014, and is structured in accordance with these directives.

1. Group structure and shareholders

1.1 Group structure

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

The Group comprises HBM Healthcare Investments Ltd, Zug, and its subsidiary HBM Healthcare Investments (Cayman) Ltd, Cayman Islands, wholly-owned by HBM Healthcare Investments Ltd. In addition, HBM Private Equity India Ltd, Republic Mauritius, is a wholly-owned subsidiary of HBM Healthcare Investments (Cayman) Ltd.

HBM Healthcare Investments Ltd

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

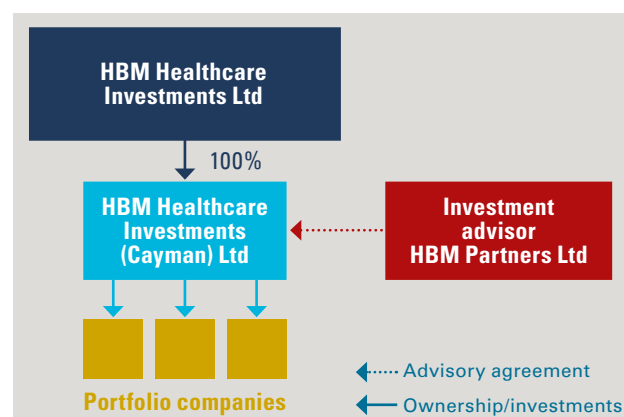
The Company's shares are listed on SIX Swiss Exchange.

HBM Healthcare Investments (Cayman) Ltd

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

The share capital of HBM Healthcare Investments (Cayman) Ltd was CHF 846 million as at 31 March 2018.

Group structure



1.2 Investment advisor

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

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

1.3 Significant shareholders

As at the balance sheet date, the Company had 1 787 registered shareholders. Shareholders are institutional and private investors.

For details of shareholders with equity holdings of three percent or more, see note 5.3 "Significant shareholders" to the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) on page 78.

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

2. Capital structure

2.1 Share capital and changes to share capital

The Company's share capital of CHF 411 840 000 consists of 7 040 000 fully paid up registered shares with a par value of CHF 58.50 each. No share certificates are issued.

A review of the Company's changes in capital since 31 March 2015 is provided in the parent company's "Statement of changes in equity" on page 89.

2.2 Rights attached to shares

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

2.3 Limitations on transferability

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

3. Board of Directors

3.1 Members of the Board of Directors

As at 31 March 2018, the Board of Directors was composed of the following members:

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

Specific knowledge of the healthcare and financial sector is needed to ensure the active monitoring of the Company's 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, market approval (FDA); Dr Eduard E. Holdener: research and development; Prof. Heinz Riesenhuber and Mario G. Giuliani: management, production, audit; Dr Rudolf Lanz: finance, M&A transactions, audit.

The Board of Directors is elected by an absolute majority of the votes cast at the Ordinary Shareholders' Meeting (i.e. at least half of the valid votes cast plus one vote). There are no limitations on its tenure. Further information on the members of the Board of Directors is given on pages 41 to 42.

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

3.2 Internal organisation

The Board of Directors shall consist of five or more members, who must be shareholders. The Board of Directors consists of a Chairman, Vice Chairman and members, who shall be appointed to various committees. In the current reporting period 2017/

2018 the following committees have been in place:

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

The Shareholders' Meeting elects the members of the Board of Directors and the Chairman of the Board of Directors individually for a term of office that lasts until the close of the next ordinary Shareholders' Meeting. They may be reappointed. If the position of Chairman is vacant, the Board of Directors will nominate one of its members to serve as Chairman until the close of the next ordinary Shareholders' Meeting. With the exception of the election of the Chairman and the members of the Compensation Committee, the Board of Directors constitutes itself. It appoints a secretary, who need not be a member of the Board of Directors.

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

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

Four half-day meetings of the Board of Directors took place during the 2017/2018 financial year. The Company's Chief Executive Officer and Chief Financial Officer, as well as Dr Benedikt Suter, in his function as the Board's secretary, attended all Board meetings.

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

Audit Committee

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

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

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

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

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

The Audit Committee held three half-day meetings during the 2017/2018 financial year. All of the meetings were also attended by the Company's CEO and CFO, as well as by Thomas Heimann, in

his function as the Audit Committee's secretary. The members of the Audit Committee report to the full Board of Directors on the issues they have discussed. Minutes of Audit Committee meetings are sent for information to all members of the Board of Directors.

Compensation Committee

Members of the Compensation Committee were appointed by the Shareholders' Meeting in June 2017. The Compensation Committee comprises at least two members of the Board of Directors. The Shareholders' Meeting appoints the members of the Compensation Committee individually for a period of office that lasts until the close of the next ordinary Shareholders' Meeting. They may be reappointed. If there is a vacancy or vacancies on the Compensation Committee, the Board of Directors will nominate one or more of its members to serve on the Compensation Committee until the close of the next ordinary Shareholders' Meeting. The Compensation Committee constitutes itself. It appoints one of its members as its Chairman. The Board of Directors issued rules on the organisation of the Compensation Committee and how it passes its resolutions.

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

The Board of Directors shall determine in a set of regulations those functions of the Board of Directors and Management for which the Compensation Committee, with the Chairman of the Board of Directors or alone, shall propose performance objectives, target figures and compensation, or shall determine performance objectives, target figures and compensation itself as provided for in the Articles of Association and in the guidelines on compensation

issued by the Board of Directors. The Board of Directors may allocate further duties to the Compensation Committee. The members of the Compensation Committee are:

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

The Compensation Committee held one meeting during the 2017/2018 financial year.

Nominating Committee

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

Nominating Committee	First appointed to the committee
Dr Rudolf Lanz	2008
Robert A. Ingram	2008

The Nominating Committee held two meetings during the 2017/2018 financial year.

3.3 Authorities and responsibilities of the Board of Directors and Management

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

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

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

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

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

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

3.4 Information and control instruments with regard to Management

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

- > the Investment Guidelines, see pages 45 to 47;
- > the Operations Manual, which governs the investment and disposal processes and the monitoring of portfolio companies;
- > guidelines on own-account trading for members of governing bodies and members of staff;
- > guidelines on trading in the Company's own shares for members of governing bodies and members of staff.

Guidelines on own-account trading

The Company has issued restrictive guidelines for members of HBM Healthcare governing bodies on trading for their own accounts. These guidelines also apply to HBM Partners and its staff as well as to HBM Partners' contractual partners and their staff. In principle, own-account trading involving private companies in the human medicine, biotechnology, medical technology, diagnostics, and related sectors are prohibited. In addition to a number of other regulations, own-account trading in public companies is subject to the rule that the interests of the Group must not be infringed upon. Own-account trading involving private companies may be authorised in exceptional cases.

Guidelines on trading in the Company's own shares

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

Transactions with related parties

Details of transactions with related parties are given in note 9 to the Group Financial Statements IFRS on pages 82 and 83.

Information instruments

In addition to the Company's comprehensive external reporting, prior to each of its meetings, the Board of Directors receives detailed documentation from the Management about the performance of the Company and its advisory organisation. Among the issues reported upon at each meeting of the Board

of Directors are financial performance, major portfolio events, liquidity planning, new developments in the advisory organisation, and compliance with own-account and insider trading guidelines. Regular meetings are held between the Chairman of the Board and the Management.

External review mandates

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

- > review of the Corporate governance section of the annual report;
- > review of the Compensation Report;
- > audit procedures required by law in relation to the reduction of corporate capital of 14.9.2017.

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 2018 the Management was composed of the following members:

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

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

Further information on the members of Management is given on page 42.

4.2 Advisory agreement

HBM Healthcare Investments (Cayman) Ltd has entered into an advisory agreement with HBM Partners. Information on the core elements of the advisory agreement and on the scope of remuneration is provided in the Compensation Report (section 9) on pages 53 and 54.

5. Remuneration and share allotments

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

Details of the remuneration paid to serving members of governing bodies, as well as how this remuneration is determined, can be found in the Compensation Report (sections 3 and 4) on pages 50 to 52.

The rules governing the approval by the Shareholders' Meeting of the remuneration of the members of the Board of Directors and the Management, the additional amount as well as the principles governing the remuneration of the members of the Board of Directors and the Management can be found in Articles 24, 24a and 24b of the Articles of Association. Rules under the Articles of Association concerning loans, credits and pension benefits can be found in section 10.2 of the Compensation Report on page 55.

5.2 Disclosure of share transactions and ownership of governing bodies

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

Details of the shares owned by serving members of governing bodies can be found in the notes to the Parent Company Financial Statements on page 92.

6. Shareholder co-determination rights

6.1 Voting rights

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

6.2 Submission of agenda items

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

6.3 Entries in the share register

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

7. Change of control and defensive measures

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

8. Auditors

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

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

8.2 Audit fees

The fee paid to Ernst & Young Ltd for auditing the Company's Statutory Financial Statements and Group Financial Statements IFRS amounted to CHF 160 000 (previous year: CHF 159 000) during the reporting year. The fee for auditing the capital reduction of 14.9.2017 amounted to CHF 8 000 (previous year: CHF 8 000). The fee for auditing the compliance with bond terms amounted to CHF 8 000 (previous year: CHF 8 000). Additional fees for reviewing the corporate governance disclosures in the annual report, the compensation report as well as other audit-related services amounted to CHF 6 500 (previous year: CHF 6 500).

8.3 Supervision and control instruments with regard to the auditors

The independence and performance of the auditors are reviewed by the Audit Committee. The auditors are instructed to issue audit reports on the Group Financial Statements IFRS and the Statutory Financial Statements, on their review of the corporate governance section of the annual report and the Compensation Report, as well as to run the audit procedures required by law in relation to the reduction of corporate capital of 14.9.2017. In addition, the Board of Directors receives a management letter from the auditors if required, and a comprehensive report following the annual audit. These documents are discussed by the Audit Committee with the auditors. Representatives of the auditors attended one of the total of three Audit Committee meetings taking place in the 2017/2018 financial year.

9. Information policy

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

The Company's contact address is:
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Phone +41 41 710 75 77
Fax +41 41 710 75 78
info@hbmhealthcare.com
www.hbmhealthcare.com

10. Inapplicability/negative declaration

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



Hans Peter Hasler

Chairman of the Board of Directors since 2009, Member of the Compensation Committee, Swiss national

Career

Since 2017 CEO of Vicarius Pharma. Prior to this, international management positions at Wyeth Pharmaceuticals (1993 to 2001), Biogen and Biogen Idec (2001 to 2009), as well as Elan Corporation (2012 to 2013)

Directorships

Chairman of the Board of Directors MIAC AG since 2012. Member of the Board of Directors Dr. Reddy's Laboratories since 2016, and Minerva Neurosciences since 2017



Mario G. Giuliani

Member of the Board of Directors since 2012, Member of the Compensation Committee, Swiss national

Career

Economist; executive positions and directorships at Giuliani SpA (1996 to 2014), Recordati SpA (2011 to 2014), and Nogra Group SA (2015 to 2016)

Directorships

Chairman of the Board of Directors Fair-Med Healthcare AG since 2013; Member of the Board of Directors Jukka LLC since 2015, NGR (MONACO) SAM since 2015, Giuliani Group SpA since 2010, and Giuliani SpA since 1999; Member of the Investment Committee Royalty Pharma since 2001, and Mosaix Ventures LLP since 2000 as well as various other directorships within the Nogra-Group



**Prof. Dr Dr h.c. mult.
Heinz Riesenhuber**

Vice Chairman of the Board of Directors since 2001, Member of the Audit Committee, German national

Career

Doctorate in chemistry; long-standing chief executive of several companies; Member of the German Parliament 1976 to 2017; Chairman of German Parliamentary Society 2006 to 2018; numerous directorships

Directorships

Chairman of the Advisory Board Rock Tech Lithium Inc. since 2018; Member of the Investors' Committee Heidelberg Innovation BioScience Venture II GmbH since 2001



**Dr med.
Eduard E. Holdener**

Member of the Board of Directors since 2008, Swiss national

Career

Medical doctor, specialist in internal medicine and oncology (1972 to 1986); various international executive positions at F. Hoffmann-La Roche Ltd (1986 to 2007)

Directorships

Chairman of the Board of Directors NovImmune S.A. since 2008, CEO since 2016; Member of the Board of Directors of Parexel International Co. since 2008 (until September 2017)



Robert A. Ingram

Member of the Board of Directors since 2006, Member of the Compensation and of the Nominating Committees, US national

Career

BSc in business administration; since 2007 General Partner at Hatteras Venture Partners. Prior to this, various executive positions at Glaxo Wellcome and GlaxoSmithKline (1990 to 2010)

Directorships

Chairman of the Board of Directors Viamet Pharmaceuticals Inc. since 2015, BioCryst Pharmaceuticals Inc. since 2015, Novan Inc. since 2011, and Cree Inc. since 2008



Dr Rudolf Lanz

Member of the Board of Directors since 2003, Member of the Audit and of the Nominating Committees, Swiss national

Career

Economist, doctorate in law; Advisor, Member of the Executive Board and Partner at Ernst & Young Ltd (1980 to 2000); Co-founder, Partner and Chairman of the Board of Directors The Corporate Finance Group AG (2000 to 2009)

Directorships

Chairman of the Board of Directors Dr. Rudolf Lanz AG since 2009; Member of the Board of Directors MIAC AG since 2015, and Pearls Fashion Holding AG since 2009



Dr Andreas Wicki

Chief Executive Officer since 2001, Swiss national

Career

Doctorate in chemistry and biochemistry; since 2001 Chief Executive Officer HBM Healthcare Investments Ltd and HBM Partners Ltd. Prior to this, chief executive of several pharmaceutical companies (1988 to 2001), investment and venture capital advisor (1993 to 2001)

Directorships

Member of the Board of Directors Harmony Biosciences since 2017, Vitaeris Inc. since 2016, Pacira Pharmaceuticals Inc. since 2007, HBM Healthcare Investments (Cayman) Ltd since 2001, and Buchler GmbH since 2000



Erwin Troxler

Chief Financial Officer since 2011, Swiss national

Career

Economist and Swiss Certified Public Accountant; since 2005 HBM Healthcare Investments Ltd and HBM Partners Ltd, since 2011 Chief Financial Officer. Prior to this, auditor PricewaterhouseCoopers Ltd (1996 to 2002) and Julius Baer Family Office (2002 to 2005)

Directorships

Chairman of the Swiss Association of Investment Companies (SAIC) since 2014

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

Zurich, 17 May 2018

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 33 to 42) for the year ended 31 March 2018.

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)



Roman Ottiger
Licensed audit expert

Investment Guidelines



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

1. Investment objective

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

2. Investment strategy

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

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

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

Geographical focus

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

Availability of funds

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

Debt financing

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

Hedging

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

Investment instruments

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

3. Investment categories

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

Private companies

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

Public companies

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

Financial instruments (not related to hedging)

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

4. Investment decisions

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

5. Application of and changes to the Investment Guidelines

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

Compensation Report



This Compensation Report for the 2017/2018 financial year sets out the compensation system for, and the compensation paid to, the members of the Board of Directors and the Management of HBM Healthcare Investments Ltd (HBM Healthcare or the Company). The content and scope of the disclosures comply with the regulations set out in the "Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO)", which was passed by the Federal Council and entered into force on 1 January 2014, and the SIX Swiss Exchange Directive on Corporate Governance (DCG).

1. Introductory remarks on the specific structure of HBM Healthcare as an investment company

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

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

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

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

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

2. Responsibility and authority with regard to compensation

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

the full Board of Directors determines the following:

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

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

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

3. Compensation to members of the Board of Directors

3.1 Basis and elements

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

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

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

The Board of Directors set the fixed element of its members' compensation as follows for the 2017/2018 reporting year:

Fixed compensation to Board of Directors (in CHF)	2017/2018	2016/2017
Chairman of the Board of Directors	94 000	94 000
Vice Chairman of the Board of Directors	43 000	43 000
Member of the Board of Directors	28 000	28 000
Board meeting fee, per meeting ¹⁾		
– Chairman	4 000	4 000
– Members	3 000	3 000
Member of the Audit Committee	30 000	30 000
Member of the Compensation Committee	10 000	10 000
Member of the Nominating Committee	0	0

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

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

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

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

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

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

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

During the 2017/2018 reporting period, the six members of the Board of Directors together received compensation totalling CHF 1 483 746 (previous year: CHF 1 880 293). Of this figure, CHF 412 000 (previous year: CHF 400 000) was paid out in the form of fixed directors' fees and board meeting fees for service on the Board of Directors and on the Board committees.

The variable compensation paid in accordance with the increase in value achieved came to CHF 1 017 600 (previous year: CHF 1 413 000). Social security contributions totalled CHF 54 146 (previous year: CHF 67 293).

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

Compensation to Board of Directors 2017/2018 financial year (in CHF)

	Committee ¹⁾			Fixed fee	Meeting fee	Committee fee	Variable compensation	Social security contributions & duties ²⁾	Total
	AC	CC	NC						
Hans Peter Hasler, Chairman	x			94 000	16 000	10 000	169 600	0	289 600
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			43 000	12 000	30 000	169 600	23 996	278 596
Mario G. Giuliani, Member		x		28 000	12 000	10 000	169 600	17 184	236 784
Dr Eduard E. Holdener, Member				28 000	12 000	0	169 600	12 966	222 566
Robert A. Ingram, Member		x	x	28 000	9 000	10 000	169 600	0	216 600
Dr Rudolf Lanz, Member		x	x	28 000	12 000	30 000	169 600	0	239 600
Total Board of Directors				249 000	73 000	90 000	1 017 600	54 146	1 483 746

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

2) Of the social security contributions, CHF 18 064 was paid on fixed compensation and CHF 36 082 on variable compensation.

Compensation to Board of Directors 2016/2017 financial year (in CHF)

	Committee ¹⁾			Fixed fee	Meeting fee	Committee fee	Variable compensation	Social security contributions & duties ²⁾	Total
	AC	CC	NC						
Hans Peter Hasler, Chairman	x			94 000	16 000	10 000	235 500	0	355 500
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			43 000	12 000	30 000	235 500	28 428	348 928
Mario G. Giuliani, Member		x		28 000	6 000	10 000	235 500	21 871	301 371
Dr Eduard E. Holdener, Member				28 000	6 000	0	235 500	16 994	286 494
Robert A. Ingram, Member		x	x	28 000	9 000	10 000	235 500	0	282 500
Dr Rudolf Lanz, Member		x	x	28 000	12 000	30 000	235 500	0	305 500
Total Board of Directors				249 000	61 000	90 000	1 413 000	67 293	1 880 293

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

2) Of the social security contributions, CHF 17 191 was paid on fixed compensation and CHF 50 102 on variable compensation.

4. Compensation to members of Management

4.1 Basis

With the exception of asset management, which is delegated to the Investment Advisor under the terms of the advisory agreement, the Board of Directors has delegated day-to-day operational tasks to the Management. In the reporting year, the Management comprised a Chief Executive Officer (CEO) and a Chief Financial Officer (CFO), both of whom are employed in the same roles at the Investment Advisor. Their relationship of employment with HBM Healthcare is governed by a separate employment contract, and covers 40 percent of the standard working week in each case.

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

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

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

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

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

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

During the 2017/2018 reporting period, the two members of Management together received compensation totalling CHF 319 147 (previous year: CHF 312 698). Of this figure, CHF 296 000 (previous year: CHF 290 000) was paid out in the form of fixed salaries. Social security contributions totalled CHF 23 147 (previous year: CHF 22 698).

The members of Management received the following compensation:

Compensation to Management 2017/2018 financial year (in CHF)	Working hours	Fixed salary	Social security contributions	Total
Dr Andreas Wicki, CEO	40%	176 000	13 695	189 695
Other member of Management	40%	120 000	9 452	129 452
Total Management		296 000	23 147	319 147

Compensation to Management 2016/2017 financial year (in CHF)	Working hours	Fixed salary	Social security contributions	Total
Dr Andreas Wicki, CEO	40%	172 000	13 404	185 404
Other member of Management	40%	118 000	9 294	127 294
Total Management		290 000	22 698	312 698

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

As at 31 March 2018, there were no loans or credits outstanding which HBM Healthcare had granted to current or former members of the Board of Directors or Management, or parties related to them (previous year: none).

6. Compensation to related parties on non-market terms

During the 2017/2018 reporting year, the Company did not pay any compensation to related parties which did not conform to normal market terms (previous year: none).

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

No payments were made to former members of the Board of Directors or Management during the 2017/2018 reporting year (previous year: none).

8. Contractual conditions upon leaving HBM Healthcare

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

9. Advisory agreements

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

guidelines defined by HBM Healthcare. The advisory agreement runs at least until 30 June 2019, and is automatically extended by twelve months in each case if it is not terminated by notice. Any notice of termination must be served at least twelve months before the end of the contract term.

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

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

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

The management fee paid to the Investment Advisor for the 2017/2018 financial year came to CHF 14.2 million (previous year: CHF 12.7 million).

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

It is paid out at the end of the financial year providing value growth has exceeded the high water mark by more than five percent.

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

For the 2017/2018 financial year, the net asset value per share before provision for the performance fee, i.e. the relevant figure for the calculation of the performance fee, stood at CHF 168.87, and thus above the high water mark of CHF 152.62. Once the variable compensation to the Board of Directors is deducted, a performance fee of CHF 15.9 million is due to the Investment Advisor. At the beginning of the 2018/2019 financial year, the high water mark for all outstanding shares thus increases to CHF 168.87 (adjusted for any future dividend payments or capital repayments made to shareholders).

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

10. Rules under the Articles of Association

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

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

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

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

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

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

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

Under the Articles of Association, the approval of the Shareholders' Meeting is required for each of the proposals of the Board of Directors that concern total amounts

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

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

To the General Meeting of
HBM Healthcare Investments Ltd, Zug

Zurich, 17 May 2018

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of HBM Healthcare Investments Ltd for the year ended 31 March 2018. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables of sections 3.2 and 4.2 as well as sections 5 to 8 of the remuneration report.

Responsibility of the Board of Directors

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 March 2018 of HBM Healthcare Investments Ltd. complies with Swiss law and articles 14 - 16 of the Ordinance.

Ernst & Young Ltd



Martin Mattes
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

Financial Report



Balance sheet (CHF 000)	Notes	31.3.2018	31.3.2017
Assets			
Current assets			
Cash and cash equivalents		6 522	6 115
Receivables		37	51
Total current assets		6 559	6 166
Non-current assets			
Investment in subsidiary	(3)	1 253 924	1 192 834
Total non-current assets		1 253 924	1 192 834
Total assets		1 260 483	1 199 000
Liabilities			
Current liabilities			
Liability from performance fee	(3.4)	1 018	1 413
Other liabilities		2 333	2 754
Total current liabilities		3 351	4 167
Non-current liabilities			
Financial liabilities	(4)	99 236	99 072
Total non-current liabilities		99 236	99 072
Shareholders' equity			
Share capital	(5.1)	411 840	427 050
Treasury shares	(5.2)	– 10 048	– 23 563
Capital reserve	(5.1)	185 318	237 362
Retained earnings		570 786	454 912
Total shareholders' equity		1 157 896	1 095 761
Total liabilities and shareholders' equity		1 260 483	1 199 000
Number of outstanding shares (in 000)		6 957	7 066
Net asset value (NAV) per share (CHF)		166.43	155.09

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

	Notes	2017/2018	2016/2017
Dividend income from investment in subsidiary	(3)	60 000	80 000
Net change in value of investment in subsidiary	(3)	61 090	62 413
Result from investment activities		121 090	142 413
Personnel expenses	(6)	-1 908	-2 301
Other operating expenses		-871	-913
Result before interest and taxes		118 311	139 199
Financial expenses	(4)	-2 438	-2 428
Financial income		1	1
Income taxes		0	0
Net result for the year		115 874	136 772
Comprehensive result		115 874	136 772
Number of outstanding shares, time-weighted (in 000)		7 001	7 212
Basic earnings per share (CHF)		16.55	18.96

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

Statement of cash flows for the financial year ended 31 March (CHF 000)	2017/2018	2016/2017
Expenses paid (personnel and other operating expenses)	-3 149	-1 714
Net cash flow from operating activities	-3 149	-1 714
Dividend payment from subsidiary received	60 000	80 000
Net cash flow from investing activities	60 000	80 000
Interest payments paid	-2 273	-2 259
Cash distribution from capital reserve	-40 783	-40 040
Purchase of treasury shares	-13 387	-36 475
Net cash flow from financing activities	-56 443	-78 774
Currency translation differences	-1	-3
Net change in cash and cash equivalents	407	-491
Cash and cash equivalents at beginning of period	6 115	6 606
Cash and cash equivalents at end of period	6 522	6 115

Statement of changes in equity (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
Balance as at 31 March 2016 (restated)	450 450	-27 298	293 535	318 140	1 034 827
Comprehensive result				136 772	136 772
Purchase of treasury shares		-35 798			-35 798
Distribution from capital reserve (30.6.2016)			-40 040		-40 040
Capital reduction (2.9.2016)	-23 400	39 533	-16 133		0
Balance as at 31 March 2017	427 050	-23 563	237 362	454 912	1 095 761
Comprehensive result				115 874	115 874
Purchase of treasury shares		-12 956			-12 956
Distribution from capital reserve (30.6.2017)			-40 783		-40 783
Capital reduction (14.9.2017)	-15 210	26 471	-11 261		0
Balance as at 31 March 2018	411 840	-10 048	185 318	570 786	1 157 896

General Statements

1. Information about the Company and its business

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

2. Accounting policies

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

2.1 Basis of preparation – Group Financial Statements

The Group 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 considered Group Financial Statements according to the Swiss Code of Obligations (CO) and are presented in Swiss francs (CHF).

The preparation of the Group Financial Statements is based on the acquisition cost principle, with the exception of the non-consolidated investment in the HBM Healthcare Investments (Cayman) Ltd subsidiary (Subsidiary), which is carried at fair value through profit and loss (note 2.7).

2.2 Changes in accounting policies

The same accounting policies and valuation principles as in the previous year have been applied in the preparation of these Group Financial Statements.

2.2.1 New or amended standards and interpretations applied for the first time during the previous year

The following new or amended standards and interpretations were applied for the first time during the year under review:

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" (1 January 2016)

The amendment to these standards means that investment entities should now carry subsidiaries which are themselves investment entities at fair value through profit and loss. By contrast, subsidiaries which do not themselves qualify as investment entities, but which provide investment-related services to the parent company, must still be consolidated.

The Board of Directors evaluated the implications of the amended standards for the Company and its subsidiaries. This assessment also included the conclusions reached by the IFRS Interpretations Committee.

The outcome was that, while the wholly-owned HBM Healthcare Investments (Cayman) Ltd subsidiary provides investment management services to the parent company, despite the absence of some of the typical characteristics of an investment entity (such as more than one investor, and investors that are not related parties of the entity) it still fulfils the general definition laid down in the IFRS 10 standard, and must therefore be classified as such.

The Subsidiary will thus no longer be consolidated, but instead carried at fair value through profit and loss.

Amendment to IFRS 11 "Joint Arrangements" (1 January 2016)

This amendment clarifies how acquisitions of investments in joint arrangements which constitute a business operation within the meaning of IFRS 3 "Business Combinations" should be reported. It is not relevant to HBM Healthcare.

Amendment of IAS 27 "Separate Financial Statements" (1 January 2016)

This change provides the option of reporting subsidiaries, joint ventures and associated companies according to the equity method in separate IFRS financial statements. It is not relevant to HBM Healthcare.

2.2.2 New or amended standards and interpretations applied for the first time during the year under review

During the year under review no new or amended standards and interpretations, applicable to HBM Healthcare, were entered into force.

2.2.3 New or amended standards and interpretations which have not yet been applied

The following new or amended standards and interpretations, which could be relevant for HBM Healthcare, are only applicable to future financial years and have not been applied ahead of schedule in the present Group Financial Statements.

- > IFRS 7 (1 January 2018) – Financial Instruments: Disclosures: amended information on the transition from IAS 39 to IFRS 9
- > IFRS 9 (1 January 2018) – Financial Instruments: measurement of financial assets and liabilities
- > IFRS 15 (1 January 2018) – Revenue from Contracts with Customers
- > IFRS 16 (1 January 2019) – Leases
- > IFRIC 22 (1 January 2018) – Foreign Currency Transactions and Advance Consideration
- > IFRIC 23 (1 January 2019) – Uncertainty over Income Tax Treatments

The implications for HBM Healthcare's Group Financial Statements are currently still being reviewed. Based on a preliminary analysis, no significant impact is expected. This also applies to IFRS 9 as all financial instruments are valued at fair value through profit and loss. IFRS 15 is not considered relevant for HBM Healthcare as an investment entity.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group Financial Statements requires Management to make estimates which affect reported earnings, expenditure, assets, liabilities and investment commitments as at the balance sheet date. Should the estimates made by Management to the best of their knowledge at the balance sheet date subsequently be shown to differ from actual circumstances, the original estimates are adjusted accordingly during the reporting year in which circumstances changed. A degree of uncertainty is attached specifically to estimating the fair value of the non-consolidated investment in the Subsidiary.

2.4 Status of HBM Healthcare as an investment entity as defined in IFRS 10

HBM Healthcare is an investment company with a broad shareholder base. It is listed on SIX Swiss Exchange. The purpose of the Company is the acquisition, holding and sale of positions in other companies, as well as the management and financing of such positions in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas. HBM Healthcare values and reports these positions, which are held indirectly via its Subsidiary, at fair value through profit and loss. Consequently, HBM Healthcare as the parent company fulfils the typical criteria qualifying it as investment entity as defined in IFRS 10.

Now that the HBM Healthcare Investments (Cayman) Ltd subsidiary is also classified as an investment entity under IFRS 10, as described in note 2.2 above, "Changes in accounting policies", it will no longer be consolidated and the scope of the Group Financial Statements will be limited to those of HBM Healthcare as the parent company.

2.5 Foreign currencies

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

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

Exchange rates (CHF)	31.3.2018	31.3.2017
CAD	0.7395	0.7389
DKK	0.1577	0.1436
EUR	1.1757	1.0680
GBP	1.3370	1.2583
INR	0.0146	0.0155
SEK	0.1144	0.1118
USD	0.9540	1.0026

2.6 Cash and cash equivalents

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

2.7 Investment in Subsidiary

The investment in the Subsidiary is carried at fair value through profit and loss. This fair value is measured on the basis of its net asset value on the balance sheet date. To establish net assets, the financial assets (investments, financial instruments and other financial assets) and liabilities (financial instruments and other financial liabilities) held by the Subsidiary are recognised and reported in accordance with the following policies:

2.7.1 Recognition of additions and disposals

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

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 "Other financial assets" (note 2.7.4).

2.7.2 Investments

Investments comprise equity positions in and convertible bonds issued by portfolio companies. They are recognised at their acquisition cost and subsequently carried according to the following policies at fair value through profit and loss.

The fair value of investments in **private companies** is determined using the "International Private Equity and Venture Capital Valuation Guidelines (IPEV)". For this purpose, the acquisition cost in the investment currency is used as the best approximation of the fair value of the private company in question, except where

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

The fair values of private companies are reviewed regularly for a possible diminution in value.

Investments in **funds** are valued based on the net asset value of the fund in question.

The fair values of private companies and funds are determined by Management on the basis of the "International Private Equity and Venture Capital Valuation Guidelines (IPEV)" and approved by the Board of Directors. Given the uncertainty inherent in valuing such investments in general, the reported fair values may differ from the values that might have been used had an active market existed for the investments. This difference may be material in the case of certain individual investments.

For investments in **public companies**, the fair value is determined by the market price on the balance sheet date.

2.7.3 Financial instruments

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

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

2.7.4 Other financial assets

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

2.8 Financial liabilities

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

2.9 Provisions

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

2.10 Treasury shares

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

Shares of the parent company held by the Subsidiary are recognised at market value through profit and loss.

2.11 Net asset value and earnings per share

The net asset value per share (NAV) is calculated from the 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 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 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 for the potential issue of new shares in connection with outstanding convertible bonds, share options and similar instruments.

2.12 Segment reporting

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

Notes to the Balance Sheet and Statement of Income

3. Investment in Subsidiary

The fair value of the investment in the Subsidiary HBM Healthcare Investments (Cayman) Ltd developed as follows in the year under review:

Development fair value investment (CHF 000)	2017/2018	2016/2017
Fair value at the beginning of financial year	1 192 834	1 130 421
Increase in value, gross	121 090	142 413
Dividend payment to parent company	-60 000	-80 000
Fair value at the end of financial year	1 253 924	1 192 834

Net assets of the investment in the Subsidiary comprised the following as at the balance sheet date:

Composition net assets (CHF 000)	31.3.2018	31.3.2017
Cash and cash equivalents	213 551	203 890
Receivables	393	363
Loan to parent company	0	0
Investments		
Private companies	288 365	122 491
Funds	125 579	151 762
Public companies	749 960	813 569
Shares of parent company	7 403	8 879
Financial instruments	3 121	9 001
Other financial assets	29 740	39 002
Total assets	1 418 112	1 348 957
Financial instruments	-147 628	-132 991
Liability from performance fee	-15 942	-22 135
Other current liabilities	-618	-997
Total net assets at fair value	1 253 924	1 192 834

During the reporting period, the net assets of the investment in the Subsidiary have developed as follows:

Change in net assets at fair value (CHF 000)	2017/2018	2016/2017
Net result on investments	190 868	155 625
Dividend income	140	178
Net result from financial instruments	-33 938	2 571
Net result from other financial assets	-6 515	17 932
Net result from shares of parent company	2 042	2 197
Result from investing activities	152 597	178 503
Management fee	-14 229	-12 675
Performance fee	-15 942	-22 135
Personnel and other operating expenses	-1 369	-1 158
Financial result	33	-122
Increase in value, gross	121 090	142 413
Dividend payment to parent company	-60 000	-80 000
Net change in value of investment	61 090	62 413

For details of individual items of net assets (balance and change) please refer to the following explanations.

3.1 Investments

During the reporting period, the investments held by the Subsidiary comprised the following and they performed as follows:

Development of investments (CHF 000)	Private companies	Funds	Public companies	Total investments
Fair value as at 31 March 2017	122 491	151 762	813 569	1 087 822
Reclassification owing to IPO (ARMO BioSciences)	-10 026	0	10 026	0
Fair value as at 31 March 2017 (after reclassification)	112 465	151 762	823 595	1 087 822
Purchases	115 759	23 065	417 681	556 505
Sales	-21 969	-52 477	-596 845	-671 291
Realised gains	10 001	34 298	313 452	357 751
Realised losses	-32 804	-513	-22 645	-55 962
Changes in unrealised gains/losses	104 913	-30 556	-185 278	-110 921
Net result on investments	82 110	3 229	105 529	190 868
Fair value as at 31 March 2018	288 365	125 579	749 960	1 163 904

Details on investments can be found on pages 70 and 71.

Net result on investments comprised the following for the 2017/2018 financial year:

Net result on investments (CHF 000)	Private companies	Funds	Public companies	Total
Gains	88 205	8 587	300 543	397 335
Losses	-6 095	-5 358	-195 014	-206 467
Total 2017/2018 financial year	82 110	3 229	105 529	190 868

The net gains on investments of CHF 190.9 million (previous year: CHF 155.6 million) includes net currency losses of CHF 25.6 million (previous year: net currency gains of CHF 17.9 million).

Private companies	Domizil	Investment currency	Amount disbursed 31.3.2017	Changes in reporting period	Amount disbursed 31.3.2018	Fair value 31.3.2018	Ownership 31.3.2018	Fair value 31.3.2018	Fair value 31.3.2017
			IC million	IC million	IC million	IC million	%	CHF 000	CHF 000
Cathay Industrial Biotech	CN	USD	28.0		28.0	91.5	8.5	87 292	43 964
TandemLife (Cardiac Assist) ¹⁾	US	USD	4.4		4.4	32.6	16.6	31 148	3 145
Harmony Biosciences	US	USD	0.0	30.0	30.0	32.6	8.1	31 109	0
Amicus	CH	EUR	0.0	20.0	20.0	20.0	29.0	23 514	0
Y-mAbs Therapeutics	US	USD	0.0	23.2	23.2	23.2	8.2	22 176	0
Westmed Holding	US	USD	7.0		7.0	12.4	22.7	11 862	12 467
Vascular Dynamics	US	USD	9.0	1.0	10.0	10.0	13.8	9 505	9 005
Neurelis	US	USD	5.5	2.7	8.3	8.2	15.0	7 870	5 514
1mg	IN	INR	136.0	379.7	515.7	515.7	10.6	7 543	2 103
FarmaLatam	PA	USD	4.3	3.4	7.7	7.7	77.4	7 320	4 317
Aptinyx	US	USD	0.0	6.5	6.5	6.5	2.6	6 201	0
SAI Life Sciences	IN	INR	256.4		256.4	411.5	6.1	6 019	5 453
Formation Biologics	CA	CAD	0.0	6.5	6.5	6.5	10.0	4 771	0
Vitaeris	CA	USD	3.0		3.0	4.0	18.9	3 816	4 010
Valcare	US	USD	0.0	3.5	3.5	3.5	6.6	3 339	0
Shriji Polymers	IN	INR	0.0	201.0	201.0	216.2	2.8	3 163	0
Shape Memory Medical	US	USD	0.0	3.0	3.0	3.0	10.9	2 862	0
Complexa	US	USD	0.0	2.9	2.9	2.9	4.1	2 771	0
BaseHealth	US	USD	0.0	2.5	2.5	2.5	6.2	2 385	0
Amphora Medical	US	USD	0.0	2.2	2.2	2.2	5.5	2 074	0
Iconic Therapeutics	US	USD	7.5		7.5	1.9	7.1	1 789	3 760
True North Therapeutics ²⁾	US	USD	10.0	-10.0	0.0	0.0	0.0	0	10 026
Others								9 836	8 701
Total private companies								288 365	112 465

1) The company was acquired during the reporting period. The transaction was completed on April 4, 2018.

2) This investment was sold during the reporting period.

Funds	Invest- ment currency	Total commitment	Payments in reporting period	Repayments in reporting period	Cumulative payments 31.3.2018	Cumulative repayments 31.3.2018	Fair value 31.3.2018	Fair value 31.3.2018	Fair value 31.3.2017
			IC million	IC million	IC million	IC million	IC million	IC million	CHF 000
HBM BioCapital II ¹⁾	EUR	42.0	4.9	3.2	37.0	3.7	26.0	30 585	27 383
MedFocus Fund II	USD	16.0			16.0	15.0	18.8	17 971	19 497
WuXi Healthcare Ventures II	USD	20.0	2.0	0.4	13.0	0.6	13.6	12 974	11 891
6 Dimensions Capital	USD	25.0	13.0	0.0	13.0	0.0	12.8	12 243	0
Tata Capital HBM Fund I	USD	10.0	0.2		9.1	0.5	9.5	9 094	7 989
BioMedInvest II	CHF	10.0			10.0	1.8	8.8	8 840	8 360
Hatteras Venture Partners III	USD	10.0			10.0	2.0	8.6	8 250	9 997
HBM Genomics	USD	15.0	2.7		8.9	0.0	8.5	8 137	5 368
BioMedInvest I	CHF	26.0		3.1	26.0	24.6	7.0	6 994	10 400
Galen Partners V	USD	10.0	0.6	6.1	10.2	7.6	5.4	5 168	9 085
Nordic Biotech	DKK	31.0		209.9	31.0	221.7	17.8	2 781	31 634
BioVeda China	USD	8.5		4.6	8.5	31.8	0.0	0	5 398
Others								2 542	4 760
Total funds								125 579	151 762

1) The fair value of EUR 26.0 million takes into account the fund's cumulative management fees of EUR 4.8 million. This amount has been reimbursed in full to HBM Healthcare so that fees are not levied twice.

Public companies	Investment currency	Balance	Changes in	Balance	Share price 31.3.2018	Ownership 31.3.2018	Fair value	Fair value	
		31.3.2017	reporting period	31.3.2018			31.3.2018	31.3.2018	31.3.2017
		Number of shares	Number of shares	Number of shares			IC	%	CHF 000
Vectura Group	GBP	67 991 719	-4 988 850	63 002 869	0.78	9.5	65 410	130 637	
ARMO BioSciences ^{1)P)}	USD	809 800	781 740	1 591 540	37.41	5.2	56 801	10 026	
Pacira Pharmaceuticals ^{P)}	USD	1 100 000	0	1 100 000	31.15	2.7	32 689	50 290	
ObsEva ^{P)}	USD	2 319 780	-6 450	2 313 330	13.50	6.2	29 782	24 212	
Galapagos	EUR	156 000	144 000	300 000	81.30	0.6	28 676	13 591	
Genmab	DKK	182 800	-42 800	140 000	1 298.00	0.2	28 662	35 248	
Esperion Therapeutics	USD	634 407	-234 407	400 000	72.33	1.5	27 601	22 459	
Ascendis Pharma	USD	235 000	165 000	400 000	65.40	1.0	24 957	6 597	
Ultragenyx Pharmaceutical	USD	384 257	115 743	500 000	50.99	1.0	24 322	26 113	
Incyte	USD	205 000	45 000	250 000	83.33	0.1	19 874	27 474	
AnaptysBio ^{P)}	USD	942 835	-742 835	200 000	104.08	0.8	19 858	26 232	
Immunomedics	USD	0	1 400 000	1 400 000	14.61	0.8	19 513	0	
Celgene	USD	11 000	216 000	227 000	89.21	0.0	19 319	1 372	
Argenx (ADS)	USD	0	250 542	250 542	80.44	0.8	19 227	0	
Argenx	EUR	255 000	-5 000	250 000	65.20	0.8	19 164	4 507	
Nicox	EUR	1 184 941	488 363	1 673 304	9.07	5.7	17 844	12 418	
Eagle Pharmaceuticals	USD	198 279	155 328	353 607	52.69	2.4	17 775	16 488	
Neurocrine Biosciences	USD	529 500	-320 500	209 000	82.93	0.2	16 535	22 987	
Homology Medicines ^{1)P)}	USD	0	902 794	902 794	18.70	2.5	16 106	0	
Zogenix	USD	0	400 000	400 000	40.05	1.2	15 283	0	
Acadia Pharmaceuticals	USD	144 990	555 010	700 000	22.47	0.6	15 005	4 998	
Tesaro	USD	152 750	97 250	250 000	57.14	0.5	13 628	23 565	
Amicus Therapeutics	USD	1 186 604	-341 820	844 784	15.04	0.5	12 121	8 482	
AveXis	USD	62 000	38 000	100 000	123.58	0.3	11 790	4 726	
Clovis	USD	0	230 105	230 105	52.80	0.5	11 591	0	
Regenxbio	USD	546 000	-146 000	400 000	29.85	1.3	11 391	10 565	
Nabryva Therapeutics ^{P)}	USD	2 968 980	-634 973	2 334 007	5.03	6.4	11 200	35 720	
Paratek Pharmaceuticals ^{P)}	USD	1 200 000	-305 000	895 000	13.00	2.9	11 100	23 160	
La Jolla Pharmaceutical	USD	0	355 000	355 000	29.78	1.4	10 086	0	
Puma Biotechnology	USD	0	150 000	150 000	68.05	0.4	9 738	0	
Divis Laboratories	INR	608 000	0	608 000	1 090.20	0.2	9 695	5 864	
Arena Pharmaceuticals	USD	0	250 000	250 000	39.50	0.5	9 421	0	
Retrophin	USD	0	433 952	433 952	22.36	1.1	9 257	0	
Erytech Pharma	EUR	200 000	181 529	381 529	17.00	2.1	7 626	6 002	
Albireo Pharma	USD	0	200 000	200 000	32.57	1.7	6 214	0	
Coherus Biosciences	USD	582 442	-5 000	577 442	11.05	1.0	6 087	12 351	
Bioarctic	SEK	0	2 271 809	2 271 809	21.40	3.1	5 560	0	
Eiger BioPharmaceuticals ^{P)}	USD	603 819	-23 819	580 000	9.85	5.5	5 450	6 932	
Apellis Pharmaceuticals	USD	0	250 000	250 000	22.11	0.5	5 273	0	
Corium International	USD	118 404	345 474	463 878	11.47	1.3	5 076	496	
Probiobdrug ^{P)}	EUR	497 910	-97 671	400 239	10.55	4.9	4 964	8 391	
Medartis	CHF	0	70 000	70 000	70.50	0.6	4 935	0	
Intercept Pharmaceuticals	USD	76 250	-1 250	75 000	61.52	0.3	4 402	8 646	
RA Pharmaceuticals	USD	255 000	495 000	750 000	5.31	2.3	3 799	5 443	
Spring Bank Pharmaceuticals	USD	0	258 736	258 736	15.38	2.0	3 796	0	
Laurus Labs	INR	501 698	0	501 698	502.85	0.5	3 690	4 004	
Novan	USD	0	1 294 400	1 294 400	2.93	5.0	3 618	0	
Alimera Sciences	USD	3 250 000	250 000	3 500 000	1.03	5.0	3 439	4 562	
Advanced Accelerator Applications ^{2)P)}	USD	3 300 000	-3 300 000	0	n/a	0.0	0	131 880	
Others							10 610	87 157	
Total public companies							749 960	823 595	
Total investments							1 163 904	1 087 822	

P) The position originates from the private companies portfolio.
1) The companies went public on NASDAQ in January and March 2018, respectively. The investments were listed under private companies in previous reports.

2) The company was acquired during the reporting period. HBM Healthcare sold all of its shares.

The following tables show the gains and losses (realised and unrealised) on single investments for the 2017/2018 and 2016/2017 financial years. Investments are listed separately only if the change in value in terms of the investment currency results

Gains on investments				2017/2018
(realised and unrealised per company) ¹⁾				
	IC	IC million	CHF 000	
Private companies				
Cathay Industrial Biotech	USD	47.7	43 328	
TandemLife (Cardiac Assist)	USD	29.5	28 003	
True North Therapeutics	USD	10.3	9 542	
Others			7 332	
Total private companies			88 205	
Funds				
Others			8 587	
Total funds			8 587	
Public companies				
Advanced Accelerator Applications	USD	108.2	105 186	
ARMO BioSciences	USD	36.7	34 743	
AnaptysBio	USD	35.1	33 390	
Argenx	USD	24.1	26 009	
Esperion Therapeutics	USD	21.7	19 569	
Neurocrine Biosciences	USD	17.5	15 499	
Ascendis Pharma	USD	15.0	13 867	
Immunomedics	USD	10.3	9 471	
Homology Medicines	USD	6.9	6 506	
ObsEva	USD	7.2	5 656	
AveXis	USD	6.2	5 591	
Divis Laboratories	INR	283.5	3 831	
Others			21 225	
Total public companies			300 543	
Total gains on investments			397 335	

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

in a gain or loss that is greater than CHF 3 million. Those investments for which a gain or loss of more than CHF 3 million is due solely to currency fluctuations are not listed individually.

Gains on investments				2016/2017
(realised and unrealised per company) ¹⁾				
	IC	IC million	CHF 000	
Private companies				
Interventional Spine	USD	8.9	9 215	
Others			11 226	
Total private companies			20 441	
Funds				
Others			7 166	
Total funds			7 166	
Public companies				
Incyte	USD	23.6	24 879	
Advanced Accelerator Applications	USD	16.5	21 345	
AnaptysBio	USD	19.5	19 839	
Relypsa	USD	18.8	18 324	
Genmab	DKK	117.5	16 352	
Esperion Therapeutics	USD	12.6	13 155	
Nabriva	USD	9.0	10 135	
Bluebird Bio	USD	9.4	9 887	
Eagle Pharmaceuticals	USD	7.6	7 919	
Tesaro	USD	7.2	7 625	
Antares Pharma	USD	7.4	7 521	
Galapagos	EUR	7.1	7 328	
ObsEva	USD	6.9	6 942	
Paratek Pharmaceuticals	USD	4.9	5 775	
Anacor Pharmaceuticals	USD	4.7	4 774	
Medivation	USD	4.3	4 330	
Erytech Pharma	USD	3.8	3 975	
Oxford Immunotec	USD	3.2	3 500	
Actelion	CHF	3.2	3 169	
Others			36 831	
Total public companies			233 605	
Total gains on investments			261 212	

Losses on investments		2017/2018	
(realised and unrealised per company) ¹⁾			
	IC	IC million	CHF 000
Private companies			
Others			6 095
Total private companies			6 095
Funds			
Others			5 358
Total funds			5 358
Public companies			
Vectura Group	GBP	46.3	53 980
Tesaro	USD	19.3	19 879
Nabriva Therapeutics	USD	17.2	18 050
Pacira Pharmaceuticals	USD	15.9	17 602
Ultragenyx Pharmaceutical	USD	7.7	8 973
Eagle Pharmaceuticals	USD	7.3	7 895
Incyte	USD	5.8	7 695
Clovis	USD	6.6	6 554
Acadia Pharmaceuticals	USD	5.4	6 219
Coherus Biosciences	USD	5.8	6 160
RA Pharmaceuticals	USD	5.2	5 195
Paratek Pharmaceuticals	USD	4.4	5 108
Puma Biotechnology	USD	4.2	4 224
Intercept Pharmaceuticals	USD	3.5	3 717
Others			23 763
Total public companies			195 014
Total losses on investments			206 467

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

Losses on investments		2016/2017	
(realised and unrealised per company) ¹⁾			
	IC	IC million	CHF 000
Private companies			
Tensys Medical	USD	19.6	18 825
Iconic Therapeutics	USD	3.8	3 454
Others			3 099
Total private companies			25 378
Fonds			
HBM BioCapital II	EUR	6.3	7 606
Others			6 690
Total funds			14 296
Public companies			
Vectura Group	GBP	5.1	20 370
Ophthotech	USD	12.7	11 650
Dynavax Technologies	USD	7.0	6 644
Pacira Pharmaceuticals	USD	8.1	5 761
Probiodrug	EUR	4.1	4 748
Mirati Therapeutics	USD	4.2	4 037
Sarepta Therapeutics	USD	3.9	3 661
Others			9 042
Total public companies			65 913
Total losses on investments			105 587

3.2 Financial instruments

The Subsidiary buys and sells derivative financial instruments in the course of its ordinary business

activities and as part of its risk management. The following positions were held as at the balance sheet date:

Holdings of financial instruments (CHF 000)	31.3.2018	31.3.2017
Currency hedging		
Forward contracts for currency hedging purposes	0	157
Other financial instruments		
Purchased call and put options	3 121	8 844
Total long financial instruments	3 121	9 001
Market hedging		
Sale of ETFs	140 532	132 991
Other financial instruments		
Sale of shares	7 096	0
Total short financial instruments	147 628	132 991

As at the balance sheet date, the general market risk derived from public investments was partially hedged. Worth CHF 140.5 million, the hedge consisted of the short sale of 1.7 million units of the SPDR S&P Biotech ETF (Exchange Traded Fund).

The following gains and losses resulted from derivatives transactions conducted during the period under review:

Income from financial instruments (CHF 000)	2017/2018	2016/2017
Gains from currency hedging transactions	0	4 523
Gains from market hedging transactions	0	0
Gains from other financial instruments	4 042	3 132
Total gains from financial instruments	4 042	7 655
Losses from currency hedging transactions	-1 973	0
Losses from market hedging transactions	-28 008	-1 834
Losses from other financial instruments	-7 999	-3 250
Total losses from financial instruments	-37 980	-5 084
Net result from financial instruments	-33 938	2 571

3.3 Other financial assets

Other financial assets consist primarily of contractual claims to purchase price payments from earlier trade sales that are contingent on the achievement of defined targets (milestone payments). These claims are recognised at fair value through profit and loss by applying a probability-weighted valuation approach based on the assessment of the likelihood of attaining the underlying targets. These claims are

discounted over time at a discount rate of 11 percent (previous year: 11 percent) in the Group Financial Statements. The valuation measures applied refer to commonly used industry statistics as well as own guidelines and estimates.

The book value of contractual claims to purchase price payments developed as follows in the reporting year:

Claims to purchase price payments (CHF 000)	from investments held directly	from investments held indirectly via HBM BioCapital I	Total
Amount as at 31 March 2017	39 002	3 582	42 584
Addition	6 088	0	6 088
Payments received	-22 317	-1 058	-23 375
Realised and unrealised gains/losses	6 967	1 515	8 482
Amount as at 31 March 2018	29 740	4 039	33 779

Of the total book value as at 31 March 2018, CHF 29.8 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 4.0 million are reported under "Investments - Other private companies" (claims from investments held indirectly via HBM BioCapital I).

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

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

Balance sheet value and potential cash flows (CHF million)	Book value as at 31.3.2018	Cash flows minimum	Cash flows maximum	Expected period of payment
mtm laboratories	14.2	0.9	27.0	2019
Nereus ¹⁾	9.9	0.0	23.0	2018 – 2025
True North Therapeutics	6.4	1.2	14.3	2018 – 2020
Interventional Spine	3.3	2.2	6.3	2018 – 2019
Tripex (former Mpex) ²⁾	0.0	0.0	>3.9	from 2018 onwards
Total	33.8	4.3	>74.5	

1) The valuation is based on claims from the former asset sale to Triphase Accelerator and on the share price of BeyondSpring and as a result depends on the share price development.

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

3.4 Management fee and performance fee

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

In the 2017/2018 financial year, the management fee and the performance fee were as follows:

Management fee (CHF 000)	2017/2018	2016/2017
Management fee to HBM Partners	14 229	12 675
Total management fee	14 229	12 675

Performance fee (CHF 000)	2017/2018	2016/2017
Full amount of performance fee	16 960	23 548
Share variable compensation to Board of Directors	-1 018	-1 413
Total performance fee	15 942	22 135

3.4.1 Management fee

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

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

Regarding the investments made by the Subsidiary in HBM BioCapital I and II, it has been agreed with the Investment Advisor since the beginning that HBM Healthcare's share of the management and performance fees charged by HBM BioCapital I and II (carried interest) will be reimbursed in full so that fees are not levied twice.

The management fees essentially cover all expenses incurred by HBM Partners in connection with its investment advisory services as part of regular operating activities. The management fees do not cover third-party costs for the evaluation and review of investment opportunities, purchase and sale agreements, charges and duties payable on trading in exchange-listed securities, expenditures on taxes and stamp duties, and similar charges.

3.4.2 Performance fee

Based on the increase in net asset value, HBM Partners is entitled to an annual performance fee, less the performance fees paid to members of the Board of Directors of HBM Healthcare as explained in note 9.1, "Payments to members of governing bodies and related parties".

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

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

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

The calculation basis for the performance fee is the net asset value per share before provision is made for the performance fee and amounted to CHF 168.87 exceeding the high water mark of CHF 152.62 per share for the 2017/2018 financial year. After deducting the variable compensation to the Board of Directors, a performance fee of CHF 15.9 million is due to the Investment Advisor. With the beginning of the 2018/2019 financial year, the high water mark for all outstanding shares stands at CHF 168.87 (adjusted for any future dividend payments or capital repayments made to shareholders).

3.5 Off-balance-sheet commitments

The Subsidiary had the following investment commitments as at the balance sheet date:

Investment commitments (CHF 000)	31.3.2018	31.3.2017
HBM BioCapital I+II	6 143	11 367
Other funds	30 050	19 596
Private companies	9 946	5 246
Total investment commitments	46 139	36 209

4. Non-current financial liabilities

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

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

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

5. Shareholders' equity

5.1 Share capital and capital reserve

As at the balance sheet date, the Company's share capital stood at CHF 411.84 million (previous year: CHF 427.05 million), divided into 7 040 000 registered shares (previous year: 7 300 000) at a par value of CHF 58.50 each (previous year: CHF 58.50). At the Ordinary Shareholders' Meeting of 26 June 2017, the decision was made to cancel 260 000 of the Company's own shares. The capital reduction was entered in the Canton Zug Commercial Register on 14 September 2017.

In addition to this capital reduction, the Ordinary Shareholders' Meeting also approved a withholding tax exempt distribution to shareholders of CHF 5.80 per registered share drawn from capital reserve. The payment was made on 30 June 2017.

5.2 Treasury shares

The Ordinary Shareholders' Meeting of 24 June 2016 authorised the Board of Directors to repurchase a maximum of 730 000 of the Company's own shares via a second trading line. The aim of this share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 23 June 2019 ("2016 share buy-back programme"). The programme started on 6 October 2016. Under this share buy-back programme a total of 243 910 of the Company's own shares have been repurchased up to the balance sheet date.

The Company holds 82 910 of its own shares (previous year: 234 500) as at the balance sheet date of 31 March 2018. During the 2017/2018 financial year, a total of 108 410 of the Company's own shares were acquired at an average price of CHF 119.50 per share (previous year: 357 500 at CHF 100.14).

Holdings from second trading line (Number of own shares)	2017/2018	2016/2017
Beginning of financial year	234 500	277 000
Acquired via second trading line under share buy-back programme	108 410	357 500
Capital reduction owing to cancellation of own shares	-260 000	-400 000
End of financial year	82 910	234 500

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd holds 51 411 treasury shares (previous year: 79 699), acquired via the regular trading line. During the 2017/2018 financial year, the Subsidiary acquired a total of 465 494 treasury shares via the regular trading line at an average price of CHF 121.59 per share (previous year: 268 855 at CHF 100.33) and sold 493 782 treasury shares at an average price of CHF 121.72 per share (previous year: 338 913 at CHF 101.36).

5.3 Significant shareholders

Based on information received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2018.

Shareholding

15–20%	Nogra Pharma Invest S.à.r.l., Luxemburg
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6. Personnel expenses

Personnel expenses were composed as follows during the reporting year:

Personnel expenses (CHF 000)	2017/2018	2016/2017
Fixed compensation to Board of Directors	412	400
Variable compensation to Board of Directors	1 018	1 413
Wages and salaries	296	290
Social insurance contributions and duties	77	100
Other personnel expenses	105	98
Total personnel expenses	1 908	2 301

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

Details on compensation to the Board of Directors and the Management can be found in note 9.1 "Payments to members of governing bodies and related parties".

7. Taxes

HBM Healthcare does not capitalise deferred tax assets relating to the Company's loss carry-forwards because it is unlikely, given the tax status of the Company and its subsidiary on the Cayman Islands, that such loss carry-forwards could be used in the near future. The Company had no deductible loss carry-forwards as at 31 March 2018 (previous year: none).

Other Disclosures

8. Financial risk management

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

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

8.1 Risk of limited market liquidity

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

8.2 Market risks

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

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

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

The healthcare sector as a whole depends on society's ability and willingness to pay for drugs, treatments and innovations that help to address health issues. If certain countries, specifically the United States of America as the largest market

worldwide for drug and medical technology products, were to increase or reduce spending on such treatment options materially, HBM Healthcare's portfolio companies might be impacted significantly. Political developments in countries in which the operations of a few portfolio companies are located, such as China or India, might affect the ability of the companies in question to execute their business plans and attain their growth targets.

HBM Healthcare endeavours to reduce market risks by means of thorough investment analyses and by close cooperation with the portfolio companies concerned. In addition, market risks are hedged selectively with financial instruments depending on the Company's market assessment.

8.3 Liquidity risks

The Investment Guidelines oblige HBM Healthcare to maintain an appropriate level of short-term funds in order to participate in follow-on financing for port-

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

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

Liquidity risks (CHF million)	Book value as at balance sheet date ¹⁾	Total contractual cash flows	Due within 3 months	Due within 3–12 months	Due within 12–24 months	Due within >24 months
Balance sheet liabilities						
Other current liabilities and financial instruments	167.5	167.5	18.2	149.3	0.0	0.0
Non-current financial liabilities	99.3	111.6	0.0	2.3	2.3	107.0
Total liabilities as at 31 March 2018	266.8	279.1	18.2	151.6	2.3	107.0
Total liabilities as at 31 March 2017	259.4	274.2	25.8	136.8	2.3	109.3
Off-balance-sheet investment commitments²⁾						
Expected drawdowns HBM BioCapital I+II	6.1	6.1	1.0	5.1	0.0	0.0
Expected drawdowns other funds	30.1	30.1	2.8	8.3	11.3	7.7
Expected maturities investment commitments to private companies	9.9	9.9	0.0	9.9	0.0	0.0
Total investment commitments as at 31 March 2018	46.1	46.1	3.8	23.3	11.3	7.7
Total investment commitments as at 31 March 2017	36.2	36.2	6.5	26.1	3.6	0.0

1) Positions held by parent company and Subsidiary.

2) Due dates are estimates.

Given the maturity of HBM Healthcare's portfolio, the Board of Directors anticipates that a favourable market environment will provide regular exit opportunities for the sale of the Company's private and

public investments, at the corresponding levels of added value.

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

8.4 Foreign currency risks

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

As at the balance sheet date, 96 percent of HBM Healthcare' total assets were subject to foreign currency risks (previous year: 97 percent).

The following table demonstrates the sensitivity of HBM Healthcare's annual result to a possible fluctuation in foreign exchange rates of +/- 10 percent compared to the foreign exchange rates used for the Group Financial Statements as at the balance sheet date:

31 March 2018 (CHF million)	Fair value	Foreign exchange rates	
		+10%	-10%
Net assets in USD	921	92	-92
Net assets in GBP	66	7	-7
Net assets in EUR	158	16	-16
Net assets held in other foreign currencies	83	8	-8
31 March 2017 (CHF million)			
Net assets in USD	850	85	-85
Net assets in GBP	132	13	-13
Net assets in EUR	94	9	-9
Net assets held in other foreign currencies	99	10	-10

8.5 Valuation risks and fair values

Given the uncertainties inherent in valuing private companies, the net asset value (NAV) reported by HBM Healthcare may differ temporarily from the actual fair value of individual investments. As a result of valuation differences owing to the unavailability of information, the estimated values of individual investments may diverge significantly from values that would have been calculated had an active market for such securities existed. Furthermore, the estimated values of individual investments as at a

certain balance sheet date may differ significantly from the values which could potentially be realised by means of an exit, an IPO or another event with a participating third-party (i.e. financing round) at any later point in time. Such differences might have a material effect on the valuation of individual investments in the Group Financial Statements of HBM Healthcare.

Valuations of difficult-to-assess investments are made by HBM Healthcare in accordance with its accounting policies, as described in note 2.7.2 "Investments", and are determined by the Management and approved by the Board of Directors.

The following summary analyses assets and liabilities valued at their fair values, in accordance with their place in the valuation hierarchy:

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

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

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

The IPO of ARMO BioSciences resulted in assets amounting to CHF 10.0 million being reclassified from level 3 to level 1 during the 2017/2018 financial year.

8.6 Interest rate risks

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

	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobser- vable inputs"	Total
Assets and liabilities at fair value as at 31 March 2018 (CHF million)				
Investments				
Private companies			288.4	288.4
Funds			125.6	125.6
Public companies	750.0			750.0
Shares of parent company ¹⁾	7.4			7.4
Financial instruments		3.1		3.1
Other financial assets			29.7	29.7
Total assets at fair value	757.4	3.1	443.7	1204.2
Financial instruments	147.6			147.6
Total liabilities at fair value	147.6	0.0	0.0	147.6

Assets and liabilities at fair value as at 31 March 2017 (CHF million)

	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobser- vable inputs"	Total
Investments				
Private companies			122.5	122.5
Funds			151.8	151.8
Public companies	813.7			813.7
Shares of parent company ¹⁾	8.9			8.9
Financial instruments		9.0		9.0
Other financial assets			39.0	39.0
Total assets at fair value	822.6	9.0	313.3	1144.9
Financial instruments	132.9			132.9
Total liabilities at fair value	132.9	0.0	0.0	132.9

1) Held by Subsidiary.

8.7 Credit risks

Credit risks with regard to all HBM Healthcare assets relate to the risk that a debtor may become unable to meet its liabilities. In order to minimise this risk, HBM Healthcare holds cash and cash equivalents, listed securities, foreign exchange and derivatives only with top-rated financial institutions. In addition, risks are diversified across a number of different counterparties. As at the balance sheet date, there were no receivables overdue, and there were no recorded losses on receivables during the 2017/2018 financial year.

For the expected payments from escrow amounts and milestones, the maximum default risk refers to the book value of CHF 33.8 million (note 3.3, "Other financial assets").

8.8 Capital management

The Company manages its shareholders' equity within the limits of the law and in accordance with

its investment strategy and its liquidity planning.

Details of current share buy-back programmes and the number of treasury shares held by the Company are given in note 5.2, "Treasury shares".

The Investment Guidelines limit borrowing to 20 percent of net assets.

The Company has issued regular cash distributions to shareholders since 2012. These correspond to a return of 3 to 5 percent on the share price.

9. Transactions with related parties

9.1 Payments to members of governing bodies and related parties

Members of the Board of Directors are entitled to a fixed fee, a meeting fee and a variable compensation fee, based on the increase in the Company's value (note 3.4.2, "Performance fee").

The fixed fee for the Chairman amounted to CHF 94 000 (previous year: CHF 94 000) in the reporting year. The fixed fees for the Vice Chairman and the other four members of the Board of Directors amounted to CHF 43 000 (previous year: CHF 43 000) and CHF 28 000 (previous year: 28 000) each per year, respectively. The meeting fee for each meeting of the Board of Directors amounts to CHF 4 000 for the Chairman (previous year: CHF 4 000) and to CHF 3 000 each for the other board members (previous year: CHF 3 000 each). In addition, the two members of the Audit Committee receive a fixed fee of CHF 30 000 each per year (previous year: CHF 30 000) and the three members of the Compensation Committee each receive a fixed fee of CHF 10 000 per year (previous year: CHF 10 000). No additional fee is paid to the members of the Nominating Committee (previous year: none).

The Board of Directors is also entitled to a performance fee. Each member of the Board of Directors is entitled to a cash payment corresponding to up to one percent of the amount of the performance fee owed by HBM Healthcare to the Investment Advisor. The entitlement of newly elected members of the Board of Directors is 0.33 percent in the first year, 0.67 percent in the second year, and one percent from the third year onwards. The performance fee paid to HBM Partners is then reduced by the same amount. As a result, the sum of all performance fees paid out by HBM Healthcare, including those to members of the Board of Directors, equals 15 percent of the increase in net assets.

The six members of the Board of Directors received fixed directors' remuneration totalling CHF 249 000 for the 2017/2018 financial year (previous year: CHF 249 000). In addition, the Board of Directors received meeting fees totalling CHF 73 000 (previous year: CHF 61 000). For their Committee activities, the two members of the Audit Committee and the three members of the Compensation Committee received fees totalling CHF 90 000 (previous year: CHF 90 000). The Board of Directors' performance fee for the 2017/2018 financial year totalled

CHF 1 017 600 (previous year: CHF 1 413 000). The social security contributions and duties paid by the Company on these fees came to a total of CHF 54 146 (previous year: CHF 67 293).

During the reporting period, the members of Management, who are also employed by HBM Partners, received 40 percent (previous year: 40 percent) of their total fixed fee paid out from HBM Healthcare. For the 2017/2018 reporting year, these payments totalled CHF 319 147 (previous year: CHF 312 698), including social security contributions. No performance fee was paid to the members of Management (previous year: none).

The Chief Executive Officer (CEO) participates as minority shareholder in HBM Partners and the Chief Financial Officer (CFO) benefits via a profit sharing plan from the Investment Advisor's business success.

A detailed overview of the total compensation paid to individual members of the Board of Directors and Management is shown in the compensation report on pages 51 and 52.

9.2 Investment holdings

HBM Healthcare holds an investment in the Hatteras Venture Partners III fund, where Board member Robert A. Ingram serves as General Partner. Details on the investment commitment, paid-in capital and the valuation of this investment can be found in the overview of funds given in note 3.1 "Investments" on page 70.

10. Events after the balance sheet date

The Board of Directors of the Company approved these Group Financial Statements on 17 May 2018. They will be presented to the Ordinary Shareholders' Meeting for its approval on 25 June 2018. No events occurred between the balance sheet date and the date of approval of these Group Financial Statements that impact on the informational value of the latter.

To the General Meeting of
HBM Healthcare Investments Ltd, Zug

Zurich, 17 May 2018

Statutory auditor's report on the audit of the group financial statements



Opinion

We have audited the group financial statements of HBM Healthcare Investments Ltd (the Company), which comprise the statement of financial position as at 31 March 2018 and the statement of comprehensive income, statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the group financial statements (pages 59 to 83) give a true and fair view of the financial position of the Company as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Group Financial Statements* section of our report.

We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Group Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the group financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the group financial statements.

Investment in subsidiary

Risk	<p>As a result of the uncertainty in the measurement of the underlying investments in private, non-listed companies as well as venture capital funds in general, the estimated fair value according to the International Private Equity and Venture Capital Valuation Guidelines (the "IPEV Guidelines") may differ from the values that would have been used had an active market existed for the investments.</p> <p>The uncertainties relating to contingent purchase price considerations (milestone payments) from the sale of investments are classified as financial assets measured at fair value through profit and loss. The Company applies a valuation technique based on estimated probabilities of the occurrence of such milestone payments as well as risk-adjusted discount rates to estimate fair values. The determination of such input factors requires management's judgement and could result in values that differ from values calculated using other acceptable measures.</p> <p>These risks can have an impact on the fair value of the investment in the subsidiary (HBM Healthcare Investments (Cayman) Ltd).</p>
Our audit response	<p>We performed substantive audit procedures on the determination of the fair value of the investment in subsidiary, which include the following procedures:</p> <p>We performed a walkthrough of the Company's process regarding evaluating and purchasing of investments in private companies and their valuation in the group financial statements and tested relevant key internal controls.</p> <p>We reviewed the internal documentation on evaluating significant investments and the rationale for management's judgement, estimates and assumptions as documented therein.</p> <p>We inquired of management regarding the developments of significant and higher risk investments.</p> <p>We obtained and read the latest available financial statements for selected portfolio companies and venture capital funds and performed additional substantive audit procedures of significant fair value adjustments and their compliance with IFRS 13 and IPEV guidance.</p> <p>We reviewed the fair value calculation of investment receivables including underlying terms of share purchase agreements and applied inputs and assumptions such as milestone probabilities and discount rates.</p> <p>Furthermore, we performed substantive procedures on payments received during the period.</p>



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the group financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the group financial statements

The Board of Directors is responsible for the preparation of the group financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the group financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd



Martin Mattes
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

Balance sheet (CHF 000)	Notes	31.3.2018	31.3.2017
Assets			
Current assets			
Cash and cash equivalents		6 522	6 115
Receivables		37	51
Total current assets		6 559	6 166
Non-current assets			
Investment in subsidiary		846 000	846 000
Total non-current assets		846 000	846 000
Total assets		852 559	852 166
Liabilities			
Current liabilities			
Liability from performance fee		1 018	1 413
Other liabilities		2 333	2 754
Total current liabilities		3 351	4 167
Non-current liabilities			
Financial liabilities		100 000	100 000
Total non-current liabilities		100 000	100 000
Shareholders' equity			
Share capital		411 840	427 050
Treasury shares	(2.4)	-10 048	-23 563
Legal capital reserve			
Reserve from capital brought in		38 595	79 378
Legal retained earnings			
General legal reserve		85 410	85 410
Reserve for treasury shares ¹⁾	(2.4)	6 979	8 125
Voluntary retained earnings			
Free reserve		80 061	90 176
Retained earnings		136 371	81 423
Total shareholders' equity		749 208	747 999
Total liabilities and shareholders' equity		852 559	852 166

1) For treasury shares held by Subsidiary.

Statement of income for the financial year ended 31 March (CHF 000)	2017/2018	2016/2017
Income		
Financial income	1	1
Income from participations	60 000	80 000
Total income	60 001	80 001
Expenses		
Financial expenses	2 274	2 264
Personnel expenses	1 908	2 301
Administration expenses	846	869
Direct taxes	25	44
Total expenses	5 053	5 478
Net result for the year	54 948	74 523

Statement of changes in equity (CHF 000)	Number of shares	Share capital	Treasury shares	Reserve from capital brought in	General legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
Balance as at 31 March 2015	8 000 503	468 029	- 24 214	161 768	0	9 530	117 468	81 814	814 395
Purchase of own shares			- 33 227						- 33 227
Allocation to legal reserve (26.6.2015)					80 000			- 80 000	0
Distribution from capital reserve (6.7.2015)				- 42 350					- 42 350
Capital reduction (9.9.2015)	- 300 503	- 17 579	30 143				- 12 564		0
Increase in reserve for treasury shares ¹⁾						4 862	- 4 862		0
Net result for the year								10 496	10 496
Balance as at 31 March 2016	7 700 000	450 450	- 27 298	119 418	80 000	14 392	100 042	12 310	749 314
Purchase of own shares			- 35 798						- 35 798
Allocation to legal reserve (24.6.2016)					5 410			- 5 410	0
Distribution from capital reserve (30.6.2016)				- 40 040					- 40 040
Capital reduction (2.9.2016)	- 400 000	- 23 400	39 533				- 16 133		0
Increase in reserve for treasury shares ¹⁾						- 6 267	6 267		0
Net result for the year								74 523	74 523
Balance as at 31 March 2017	7 300 000	427 050	- 23 563	79 378	85 410	8 125	90 176	81 423	747 999
Purchase of own shares			- 12 956						- 12 956
Distribution from capital reserve (30.6.2017)				- 40 783					- 40 783
Capital reduction (14.9.2017)	- 260 000	- 15 210	26 471				- 11 261		0
Increase in reserve for treasury shares ¹⁾						- 1 146	1 146		0
Net result for the year								54 948	54 948
Balance as at 31 March 2018	7 040 000	411 840	- 10 048	38 595	85 410	6 979	80 061	136 371	749 208

1) For treasury shares held by Subsidiary.

1. General

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

2. Accounting policies

The Parent Company Financial Statements have been prepared in accordance with the provisions of Swiss law on companies limited by shares.

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

2.1 Cash and cash equivalents

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

2.2 Investment in Subsidiary

The investment in the Subsidiary is recognised at acquisition cost less valuation adjustment at maximum.

2.3 Liabilities

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

2.4 Treasury shares

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

3. Non-current financial liabilities

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

4. Treasury shares

Holdings from second trading line (Number of own shares)	2017/2018	2016/2017
Beginning of financial year	234 500	277 000
Acquired via second trading line under share buy-back programme	108 410	357 500
Capital reduction owing to cancellation of own shares	-260 000	-400 000
End of financial year	82 910	234 500

The Ordinary Shareholders' Meeting of 24 June 2016 authorised the Board of Directors to repurchase a maximum of 730 000 of the Company's own shares via a second trading line. The aim of this share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 23 June 2019 ("2016 share buy-back programme"). The programme started on 6 October 2016. Under this share buy-back programme a total of 243 910 of the Company's own shares have been repurchased up to the balance sheet date.

The Company holds 82 910 of its own shares (previous year: 234 500) as at the balance sheet date of 31 March 2018. During the 2017/2018 financial year, a total of 108 410 of the Company's own shares were acquired at an average price of CHF 119.50 per share (previous year: 357 500 at CHF 100.14).

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd holds 51 411 treasury shares (previous year: 79 699), acquired via the regular trading line. During the reporting year, the Subsidiary acquired a total of 465 494 treasury shares via the regular trading line at an average price of CHF 121.59 per share (previous year: 268 855 at CHF 100.33) and sold 493 782 treasury shares at an average price of CHF 121.72 per share (previous year: 338 913 at CHF 101.36).

5. Significant shareholders

Based on information received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2018:

Shareholding

15–20 %	Nogra Pharma Invest S.à.r.l., Luxemburg
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6. Major subsidiaries

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

(CHF 000)	Capital as at per 31.3.2018	Capital as at 31.3.2017
HBM Healthcare Investments (Cayman) Ltd, Cayman Islands	846 000	846 000

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

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

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

7. Shares held by the Board of Directors and Management

Shares held directly or indirectly by governing bodies (number of registered shares)	31.3.2018	31.3.2017
Board of Directors		
Hans Peter Hasler, Chairman	13 000	13 000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	4 000	4 000
Mario G. Giuliani, Member	1 100 612	1 100 612
Dr Eduard E. Holdener, Member	1 400	1 400
Robert A. Ingram, Member	1 000	1 000
Dr Rudolf Lanz, Member	3 300	3 300
Management		
Dr Andreas Wicki, CEO	61 850	52 300
Erwin Troxler, CFO	7 250	7 250

8. Other disclosures required by law

8.1 Declaration of full-time equivalents

The annualised average number of full-time equivalents employed by the company during the 2017/2018 financial year was less than one (previous year: less than one).

8.2 Contingent liabilities

As at 31 March 2018, the Company did not have any outstanding contingent liabilities (previous year: none).

8.3 Business review and statement of cash flows

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

9. Events after the balance sheet date

The Board of Directors of the Company authorised these Statutory Annual Financial Statements on 17 May 2018. No events occurred between the balance sheet date and the date of approval of the annual financial statements that impact on the informational value of the latter.

1. Appropriation of earnings

The Board of Directors proposes to the Ordinary Shareholders' Meeting that retained earnings of CHF 136.4 million be used as follows:

Retained earnings (CHF)	2017/2018
Beginning of financial year	81 422 808
Net result for the year	54 947 908
End of financial year (carried forward)	136 370 716

2. Cash distribution from reserve from capital brought in

The Board of Directors is also proposing to the Ordinary Shareholders' Meeting that a cash distribution of CHF 5.50 per share eligible for dividend (up to a maximum of CHF 38.3 million) be paid from reserve from capital brought in.

Furthermore, the Board of Directors proposes an additional cash distribution of CHF 1.50 per share eligible for dividend (up to a maximum of CHF 10.4 million) be paid from reserve from capital brought in after completion of the proposed reduction of the par value.

To the General Meeting of
HBM Healthcare Investments Ltd, Zug

Zurich, 17 May 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HBM Healthcare Investments Ltd (the Company), which comprise the balance sheet, income statement and notes (pages 88 to 93, for the year ended 31 March 2018).



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 2018 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Investment in subsidiary

Risk As a result of the uncertainty in the measurement of the underlying investments in private, non-listed companies as well as venture capital funds in general, the estimated fair value according to the International Private Equity and Venture Capital Valuation Guidelines (the "IPEV Guidelines") may differ from the values that would have been used had an active market existed for the investments.

The uncertainties relating to contingent purchase price considerations (milestone payments) from the sale of investments are classified as financial assets measured at fair value through profit and loss in the subsidiary. The Company applies a valuation technique based on estimated probabilities of the occurrence of such milestone payments as well as risk-adjusted discount rates to estimate fair values. The determination of such input factors requires management's judgment and could result in values that differ from values calculated using other acceptable measures.

These risks can have an impact on the fair value of the investment in the subsidiary (HBM Healthcare Investments (Cayman) Ltd). The fair value of the investment in the subsidiary (HBM Healthcare Investments (Cayman) Ltd) should be above cost or there may be a need for an impairment.

Our audit response

We performed substantive audit procedures on the determination of the fair value of the investment in subsidiary, which include the following procedures:

We performed a walkthrough of the Company's process regarding evaluating and purchasing of investments in private companies and their valuation in the group financial statements and tested relevant key internal controls.

We reviewed the internal documentation on evaluating significant investments and the rationale for management's judgment, estimates and assumptions as documented therein.

We inquired of management regarding the developments of significant and higher risk investments.

We obtained and read the latest available group financial statements for selected portfolio companies and venture capital funds and performed additional substantive audit procedures of significant fair value adjustments and their compliance with IFRS 13 and IPEV guidance.

We reviewed the fair value calculation of investment receivables including underlying terms of share purchase agreements and applied inputs and assumptions such as milestone probabilities and discount rates.

Furthermore, we performed substantive procedures on payments received during the period.



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

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

Ernst & Young Ltd

Martin Mattes
Licensed audit expert
(Auditor in charge)

Roman Ottiger
Licensed audit expert

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ISIN

HBMN

SIX Swiss Exchange Ticker

Significant shareholders

Based on the notifications received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2018:

Shareholding

15–20%	Nogra Pharma Invest S.à.r.l., Luxemburg
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Fees

Management fee (paid quarterly):
0.75% of Company assets plus
0.75% of the Company's market capitalisation

Performance fee (paid annually):
15% on increase in value above the high water mark

High water mark:
NAV of CHF 152.62 (CHF 168.87 as of 1.4.2018)

Board of Directors and Management

Hans Peter Hasler, Chairman

Prof. Dr Dr h.c. mult. Heinz Riesenhuber,
Vice Chairman

Mario G. Giuliani, Member

Dr Eduard E. Holdener, Member

Robert A. Ingram, Member

Dr Rudolf Lanz, Member

Dr Benedikt Suter, Secretary

Dr Andreas Wicki, Chief Executive Officer

Erwin Troxler, Chief Financial Officer

Investment Advisor

HBM Partners Ltd, Zug www.hbmpartners.com



Credits

Editorial

HBM Healthcare Investments Ltd

Photography

Markus Bertschi, Getty Images, iStockphoto

Concept and realisation

Weber-Thedy Strategic Communication

Design

Küng Art Direction

Layout and print

Bader + Niederöst AG

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The Annual Report is published in English and German.

The German version is binding in all matters of interpretation.

