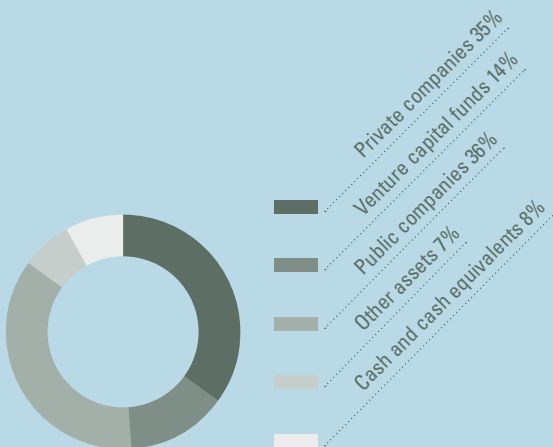


12

At a Glance

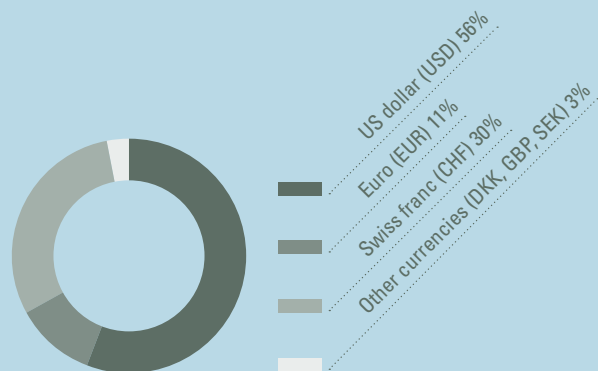
Profile HBM BioVentures invests in the health-care sector. The Company holds and manages an international portfolio of some twenty-five promising companies in the biotechnology/human medicine, medical technology and diagnostics sectors. Many of these companies have their lead products already available on the market, or at an advanced stage of development. The focus of investment is on follow-on

financing for existing portfolio companies. These portfolio companies are closely tracked and actively guided on their strategic directions. This is what makes HBM BioVentures an interesting alternative to investing in big pharma and biotech companies. HBM BioVentures has an international shareholder base and is listed on SIX Swiss Exchange (ticker: HBMN).



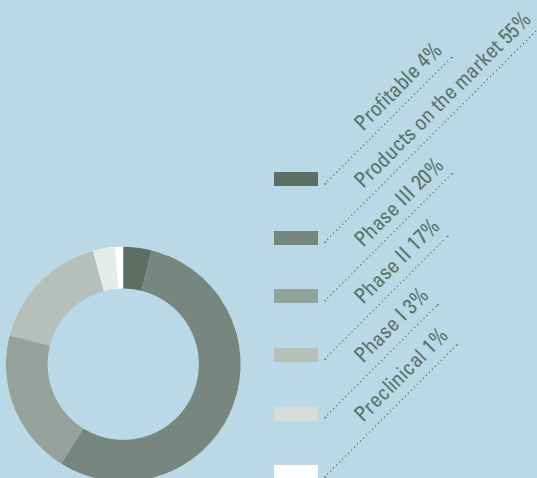
Allocation of assets

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



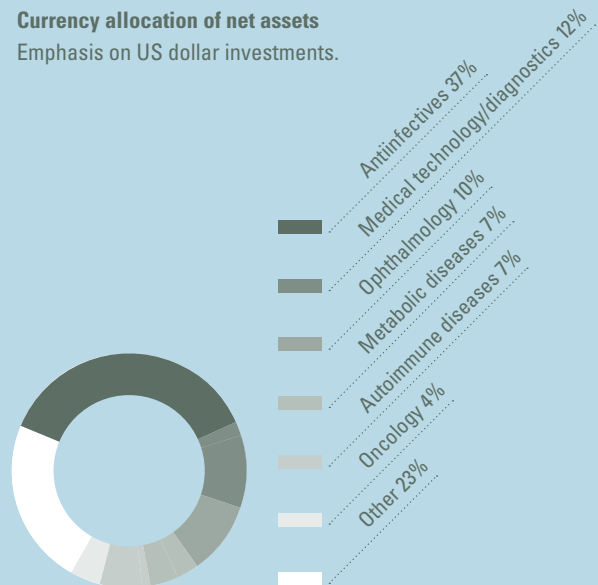
Currency allocation of net assets

Emphasis on US dollar investments.



Development phase of portfolio companies¹⁾

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



Therapeutic area of the lead products of portfolio companies¹⁾

Broadly diversified areas of activity.

¹⁾ Total investments as at 31.3.2012: CHF 467 million.

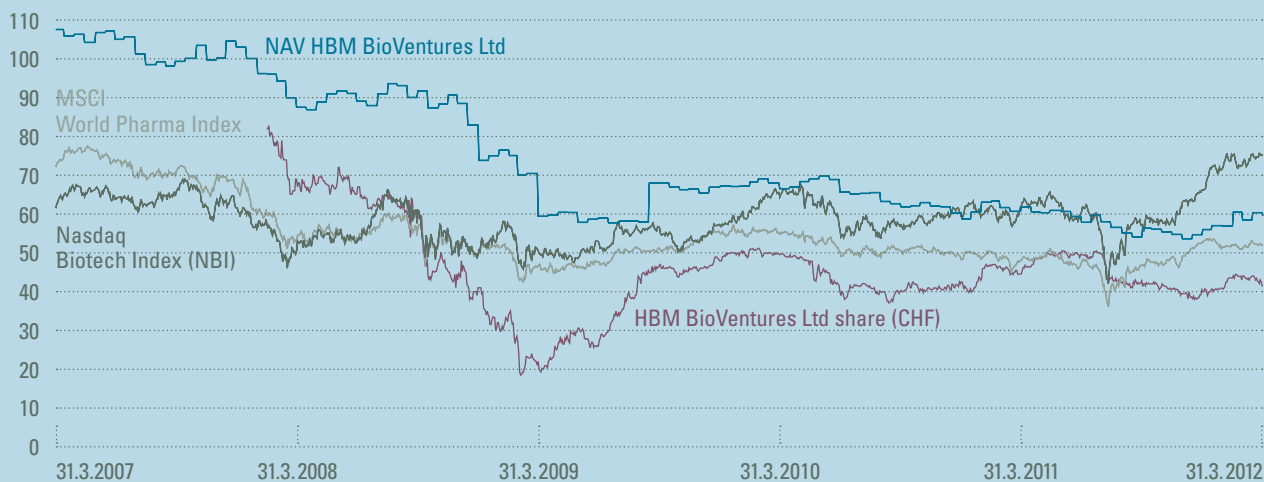
Key Figures, Performance and the Ten Largest Investments

Key figures		31.3.2012	31.3.2011	31.3.2010	31.3.2009	31.3.2008
Net assets	CHF million	539.2	589.2	666.1	618.9	948.3
Investments in private companies		270.1	367.6	532.6	594.5	685.0
Investments in public companies		196.7	83.4	100.3	132.0	311.7
Cash and cash equivalents		41.6	155.8	129.1	65.6	86.8
Net cash flow from investing activities	CHF million	-37.3	148.9	186.9	27.9	83.5
Net result for the year	CHF million	-25.5	-56.4	66.0	-312.9	-222.3
Basic earnings per share	CHF	-2.70	-5.73	6.39	-28.98	-19.90
Net asset value (NAV) per share	CHF	59.60	61.15	65.85	58.80	86.60
Share price	CHF	41.50	44.60	49.50	22.00	68.95
Discount		-30.4%	-27.1%	-24.8%	-62.6%	-20.4%
Shares issued	Registered shares (m)	9.8	10.2	10.7	11.3	11.3
Shares outstanding	Registered shares (m)	9.0	9.6	10.1	10.5	11.0

Performance	Quarter	Financial year	Since start of business (12.7.2001)
HBM BioVentures Ltd			
Net asset value (NAV)	6.4%	-2.5%	-39.8%
Registered share HBMN	3.9%	-7.0%	-58.1%
Relevant market indices in Swiss francs			
Nasdaq Biotech Index (NBI)	13.6%	20.9%	-24.7%
MSCI World Pharma Index	-1.3%	8.3%	-47.9%

Net asset value (NAV) and shares of HBM BioVentures Ltd versus market

in Swiss francs, indices indexed (12.7.2001 = 100)



**Sale Roche acquires mtm.
HBM BioVentures receives at least
EUR 47 million – double the amount
invested.**

**IPO Portfolio company ChemoCentryx
goes public. Its valuation rises by
40 percent.**

**Influence HBM BioVentures holds
24 percent of Basilea and has a greater
influence on strategic decisions.**

**Approval Pacira receives marketing
approval for Exparel™ from the US
Food and Drug Administration.**

**Solid HBM BioVentures has a sound
balance sheet and CHF 42 million
in cash.**

2 Significant Events An overview of the most important trade sales and the IPO from the HBM BioVentures portfolio during the 2011/2012 financial year.

The transaction

Mpex Pharmaceuticals, one of HBM BioVentures' private portfolio companies, was taken over by Axcan Pharma, another unlisted company, in April 2011.

Axcan paid a fixed amount in cash and agreed performance-related milestone payments for the Aeroquin™ preparation. Axcan also assumes all of the costs involved in the continued clinical development of Aeroquin™ for the treatment of cystic fibrosis.

The influence on HBM BioVentures

The sale of Mpex Pharmaceuticals increased the net asset value (NAV) of HBM BioVentures by CHF 0.30 per share.

The investment

HBM BioVentures had invested a total of USD 13.4 million in the US-based Mpex Pharmaceuticals Inc. since 2007.

mtm laboratories develops and produces in-vitro diagnostic devices (IVDD) for the early identification and diagnosis of cervical cancer. Headquartered in Heidelberg, Germany, the company operates around the world, with subsidiaries in France, Italy, Spain and the USA.

The transaction

Roche acquired mtm laboratories in July 2011. The largest private investment in the HBM BioVentures portfolio at that time, mtm was sold for an up-front payment of around EUR 130 million in cash, plus up to a further EUR 60 million when certain performance-related milestones are reached.

The influence on HBM BioVentures

The sale of mtm laboratories doubled the book value of the investment in mtm and boosted the net asset value (NAV) of HBM BioVentures by CHF 3.35 per share – or 5.8 percent.

HBM BioVentures received CHF 54 million (EUR 47 million) in cash from the sale, corresponding to an annualised return on its investment in mtm laboratories of 19 percent for the entire period for which it was held.

The investment

HBM BioVentures had invested EUR 24.3 million in mtm laboratories in four financing rounds between 2003 and 2010, and held 33.3 percent of the company's shares. For many years, representatives of HBM BioVentures were charged with the strategic management of mtm as Chairman and Vice-Chairman of its Supervisory Board.

Mpex Pharmaceuticals develops new therapies to combat infections caused by resistant bacteria. Aeroquin™ is the most advanced product candidate for the treatment of lung infections in patients with cystic fibrosis.

The transaction

ChemoCentryx successfully listed its shares on the US NASDAQ exchange (CCXI) in February 2012. The company thus joined the public segment of the HBM BioVentures portfolio. By issuing 4.5 million shares at a price of USD 10.00 each, the IPO netted ChemoCentryx a total of USD 45 million in new capital.

The influence on HBM BioVentures

Based on the closing price on the first day of trading (USD 11.00, +10 percent) the value of HBM BioVentures' investment rose to USD 29 million, corresponding to an increase in net asset value (NAV) of CHF 1.06 per share, or 1.9 percent.

The investment

Prior to the IPO, HBM BioVentures had invested a total of USD 13.7 million in ChemoCentryx, and valued its holding at USD 18.5 million – USD 7.00 per share.

ChemoCentryx develops orally administered drugs for inflammatory diseases and other conditions, applying its proprietary platform for chemokine-based therapies. Two drug candidates have been licensed out to GlaxoSmithKline (GSK). ChemoCentryx also has several of its own programmes in clinical development.

Pacira Pharmaceuticals specialises in the development, manufacturing and commercialisation of innovative pharmaceutical products. All Pacira products are based on the patented DepoFoam® platform technology.

Pacira Pharmaceuticals

In October 2011, Pacira Pharmaceuticals – the second-largest holding in HBM BioVentures' public portfolio – received marketing approval for Exparel™ from the US Food and Drug Administration. The successful commercialisation of Exparel™ to treat post-operative pain will further increase the value of the company – and thus also that of its largest single shareholder HBM BioVentures – in the near future.

PTC Therapeutics

In November 2011, private portfolio company PTC Therapeutics signed a licensing agreement with Roche to advance development of its Spinal Muscular Atrophy (SMA) programme. SMA is a genetic neuromuscular disorder that causes muscle weakness and is the leading genetic cause of death in infants and toddlers. One in every 10,000 children born is affected with the disorder, which currently has no effective treatment.

Under the terms of the agreement PTC granted Roche exclusive, worldwide rights to its programme, which includes three compounds currently in preclinical development as well as potential back-up compounds. PTC received an upfront payment of USD 30 million and is eligible for additional milestone payments of up to USD 460 million plus royalties.

PTC Therapeutics researches and develops active agents for the treatment of rare genetic diseases. These agents regulate protein production, which is of central importance to proper cellular function.

Enanta Pharmaceuticals develops drugs to combat infectious diseases, specifically hepatitis C. The company is also working on an antibiotic to fight bacterial resistance.

Enanta Pharmaceuticals

Enanta Pharmaceuticals – one of HBM BioVentures' private portfolio companies – signed a collaboration agreement with Novartis in February 2012. Novartis will take over the global development, production and marketing of one of Enanta's hepatitis C programmes against USD 34 million up front and milestone payments of up to USD 406 million, plus royalties.



Dear Shareholders

HBM BioVentures continued to strengthen its existing investment portfolio through further financing during the financial year just ended. In addition to ongoing financing for promising private companies, the Company sharply increased its shareholding in Swiss firm Basilea Pharmaceutica, in particular. We firmly believe that Basilea's current market valuation does not sufficiently reflect its true value.

The takeover market in the healthcare sector was extremely active last year. In the biotechnology sector, equity market valuations rose steadily and almost regained their 2000 levels in US dollar terms. Compared with 12 years ago, however, valuations today are much better supported by fundamental corporate data. The major biotech firms are successfully positioned with solid product sales and revenues.

New drug areas and applications are also opening up on a regular basis. Orally administered combined therapies for the hepatitis C virus are one current example. Sales of these drugs are expected to reach USD 10–20 billion over the next ten years. The appeal of this emerging hepatitis C market was evident during the year under review, with the purchase for a total of almost USD 15 billion of a number of companies with promising candidates for development.



“The takeover market in the healthcare sector was extremely active last year.”

Hans Peter Hasler, Chairman

HBM BioVentures was also able to benefit from the generally positive market climate. During the past three years, a total of 15 companies from the portfolio – representing an aggregate volume of CHF 450 million – have been successfully sold or launched on the stock market. During this period, however, the Company has faced a strong headwind in the form of a rapidly appreciating Swiss franc against the main investment currencies of the US dollar and the euro. Despite the partial hedging of currency risk, this trend resulted in foreign exchange losses of CHF 125 million over the three years as a whole.

HBM BioVentures has further consolidated its investment portfolio in recent years through successful trade sales. Direct investments in private companies have fallen to less than CHF 200 million, and now represent 35 percent of invested funds. The sales of Brahms, mtm laboratories and PharmaSwiss represented the disposal of major shareholdings in three companies which were generating revenues and profits, and thus – unlike development-only companies – displayed a lower risk profile. In view of the necessary maturation period for investments in private companies, it is essential to the successful continued growth of HBM BioVentures that the portfolio of private companies gains new substance over the months and years to come.

The portfolio has continued to mature in recent years and now consists primarily of investments in companies which have products on the market and/or are operating profitably. In the future, the focus of investment activities will shift away from classic risk capital financing towards expanding enterprises with predictable business growth over which we, as investors, are able to exert an appropriate degree of influence. Also in view of this development, the Board of Directors will propose to the Ordinary Meeting of Shareholders that the Company's name be changed to "HBM Healthcare Investments Ltd". The three initial letters will continue to stand unchanged for our investment universe: human medicine, biotechnology and medical technology.

In the past three and a half years, HBM BioVentures has repurchased around 18 percent of its own outstanding shares with a view to their subsequent cancellation. More than CHF 90 million has been invested in this programme. We intend to continue taking shareholder-friendly action in the future.

Prospects for company takeovers in the health sector remain intact. In consideration of the degree of maturity and the positive progress of several companies in our portfolio, I am confident that we will have more good news to report over the next 18 months.



Hans Peter Hasler
Chairman of the Board of Directors

The year under review was an eventful one for HBM BioVentures. Certain portfolio companies were sold at attractive prices or went public, while others achieved major operational progress and thereby laid the foundations for future events that will increase their value.

The two largest portfolio companies – Basilea and Pacira – developed very positively on the operational front. At the end of October 2011, Pacira Pharmaceuticals received approval from the US Food and Drug Administration (FDA) for Exparel™, a local injectable agent to alleviate post-surgical pain which provides relief for up to 72 hours. Following on from positive results from the phase III study in Q4 2009 and the IPO in Q1 2011, this is a further important milestone. Another highlight, at least in the short term, came in April 2012 with the launch of marketing activities for Exparel™. If sales progress successfully, this should result in a further increase in the company's value.

Basilea Pharmaceutica has also achieved great operational progress. Despite the negative currency trend, European revenues for Toctino®, which is used to treat hand eczema, rose to over CHF 31 million. The first quarter of 2012 also brought the publication of positive data from a phase III study of this medication in the USA, which should clear the way for a licence application for the US market. Furthermore, Basilea was able successfully to conclude the analysis of data on the Ceftobiprole antibiotic from two clinical phase III trials in patients with severe pneumonia. On the strength of these trials, the company intends to apply for approval for Ceftobiprole for the European market in the second half of 2012. Despite these encouraging developments, Basilea's market capitalisation fell by nearly a quarter during the financial year just ended. HBM BioVentures took the opportunity presented by the market's consistently low valuation to increase its shareholding – and thus its influence – considerably. HBM BioVentures is now well positioned to profit from the anticipated increase in the company's valuation in the months to come.



“The two largest portfolio companies – Basilea and Pacira – developed very positively on the operational front.”

Dr Andreas Wicki, Chief Executive Officer

Among the private companies in the HBM BioVentures portfolio, the German diagnostics firm mtm laboratories was successfully sold to Roche. The upfront payment alone will net HBM BioVentures some EUR 47 million, or double the amount originally invested in mtm. Moreover, HBM BioVentures is entitled to a further EUR 21 million if the results of a US study prove positive. The US company Mpex Pharmaceuticals was also sold at a price well above its book value. HBM BioVentures is set to receive significant additional milestone payments contingent upon the successful development and sale of Mpex's primary drug candidate. ChemoCentryx made use of the positive market environment at the beginning of the year for its IPO. The market valued the company at some 40 percent higher than its value on the HBM BioVentures books before its listing.



“HBM BioVentures has a sound balance sheet and CHF 42 million cash and cash equivalents.”

Erwin Troxler, Chief Financial Officer

A number of other private portfolio companies entered into key alliances during the year under review. Enanta Pharmaceuticals, for example, signed a major licensing agreement with Novartis for one of its two development programmes for the treatment of hepatitis C. In early April of this year, the company also reported positive data from a phase II study that forms part of its second programme, which is being run in partnership with Abbott Laboratories.

In December, PTC Therapeutics signed a significant licensing agreement with Roche for the development of a drug to treat spinal muscular atrophy (SMA). However, a delay in the licensing of PTC's primary drug candidate ataluren necessitated an adjustment to the valuation of HBM BioVentures' investment.

Substantial valuation adjustments also had to be made to the investments in Nereus, Interventional Spine, Cylene and Paratek. These were prompted by poor study results, sales figures which did not live up to expectations, or the failure of negotiations on trade sales or alliances. Valuation adjustments on private portfolio companies came to CHF 35 million in total.

Otherwise, the financial year was characterised by the extraordinary volatility of the Swiss franc against the US dollar and the euro. HBM BioVentures' result took a CHF 26 million charge owing to the increasing strength of the Swiss currency. This produced a loss of CHF 25 million for the financial year as a whole, accompanied by a decline in net asset value (NAV) per share from CHF 61.15 to CHF 59.60.

HBM BioVentures maintained its programme of shareholder-friendly capital management, using a total of CHF 29 million realised from the portfolio to repurchase its own shares for subsequent cancellation. A further CHF 27 million was invested in existing private portfolio companies, and CHF 82 million was dedicated to the expansion of the investment in Basilea. The outstanding bond of CHF 30 million was also repaid. HBM BioVentures thus has a sound balance sheet and CHF 42 million cash and cash equivalents.

HBM BioVentures expects the takeover market in the healthcare sector to remain strong. Many of the companies in the HBM BioVentures portfolio have developed well in recent months, or can look forward in the near future to events – such as study results or licensing decisions – that are of enormous importance to their future value growth. HBM BioVentures is thus well positioned to profit from this positive environment.



Dr Andreas Wicki
Chief Executive Officer



Erwin Troxler
Chief Financial Officer

12 Portfolio Companies and Their Markets

Short profiles of the ten largest investments in the HBM BioVentures portfolio.

Private companies

	Fair value (CHF m)	As % of net assets
Cathay Industrial Biotech	25.3	4.7 %
PTC Therapeutics	22.8	4.2 %
Lux Biosciences	21.6	4.0 %
Nabriva Therapeutics	15.6	2.9 %
Ophthotech	14.9	2.8 %
Interventional Spine	13.6	2.5 %
Probiodrug	9.2	1.7 %

Public companies

Basilea Pharmaceutica ^{P)}	115.7	21.5 %
Pacira Pharmaceuticals ^{P)}	35.8	6.6 %
ChemoCentryx ^{P)}	25.4	4.7 %

P) The position originates from the private companies portfolio.

Cathay Industrial Biotech

Industrial biotechnology

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



Cathay Industrial Biotech deploys biotechnological processes for the industrial production of speciality chemicals and biofuels.

Domicile	Shanghai, China
Development phase	Products on the market
Amount invested (m)	USD 28.0
Fair value (m)	USD 28.0
Ownership	13.4 %
As % of net assets	4.7 %
Board member	William Keller

Cathay Industrial Biotech

Cathay Industrial Biotech was HBM BioVentures' first investment in China. The company replaces traditional chemical production methods with novel biotechnological processes. Cathay is the acknowledged market leader in the biotechnological production of dicarboxylic acids for various branches of industry, such as the automobile and consumer goods sectors. Principal clients include international companies such as DuPont, Evonik and Akzo Nobel. Cathay has also established a facility in north-east China for the biotechnological production of biobutanol from maize. Biobutanol is used as a biofuel and as a substitute for conventionally produced chemicals. The current financial year will see Cathay invest in the further expansion of dicarboxylic acid production, in switching to biomass as the source material for biobutanol production, and in the development of a biotechnological production method for diamines. In combination with dicarboxylic acids, these may permit the production of "green nylon" by completely biotechnological means. Last year, Cathay achieved revenues of around USD 167 million in its core business areas. In the medium term, the company is targeting an IPO on an international stock exchange to fund its growth going forward.

PTC Therapeutics



Orphan diseases

Orphan diseases are those which affect fewer than 250,000 patients within a given territory, such as Europe. Examples of these conditions, which in many cases have a genetic root, include haemophilia, muscular dystrophy in children, and cystic fibrosis. The development of new treatments for these often very serious or even life-threatening diseases is supported by a number of initiatives, including less stringent licensing terms in Europe and the United States, for example. The great medical and social value of treatment options in this area is also reflected in relatively high medication prices. This allows biotechnology companies to develop drugs for these comparatively small groups of patients profitably.

Domicile	South Plainfield, NJ, USA
Development phase	Phase II
Amount invested (m)	USD 25.3
Fair value (m)	USD 25.3
Ownership	10.2%
As % of net assets	4.2%
Board member	Axel Bolte

PTC Therapeutics

PTC Therapeutics is developing drugs for the treatment of rare genetic disorders, based on a proprietary technology platform. A number of large Pharma companies such as Merck, Pfizer, Roche, Gilead and Celgene have entered into collaboration agreements with PTC. The most advanced drug candidate – ataluren – has completed its clinical development program in patients with Duchenne’s Muscular Dystrophy (DMD). The filing for regulatory approval in the US and in Europe is expected in 2012. The same compound is also being tested in patients with cystic fibrosis. If successful the company will file for regulatory approval in the US and Europe in 2012. The market potential for such therapies can be significant as there is a high unmet medical need, no previously approved therapies, and as a consequence high demand for such products.

Ophthalmology

Ophthalmology is one of the oldest medical disciplines. Operations on the eye were conducted in ancient Babylon as early as 1750 BC. Today, cataract surgery – where a cloudy grey lens is surgically replaced with an artificial lens implant – is the world's most common and, all in all, the most costly operation in medicine. Much less common, but substantially more complex, is uveitis, an inflammation of the middle layer of the eye, the causes of which are not yet fully understood. Uveitis or iritis usually affects patients in middle age and in many

Domicile	Jersey City, NJ, USA
Development phase	Phase III
Amount invested (m)	USD 24.0
Fair value (m)	USD 24.0
Ownership	15.4 %
As % of net assets	4.0 %
Board member	Axel Bolte

cases leads to total blindness. No specific and approved treatment exists at present in the US and major European markets. The need for an effective therapy is therefore high.

Lux Biosciences

Lux Biosciences develops drugs for the treatment of severe ocular disorders. The main activity of the company is focused on the development of Luveniq® for the treatment of uveitis. The company has successfully concluded extensive phase III studies. After filing a new drug application (NDA) in 2010 the FDA has requested additional clinical studies. These will soon be concluded and, if they confirm the previous results, regulatory approval for Luveniq® can be expected in 2013. Having a product ready for market launch should make Lux an attractive M&A candidate.



Lux Biosciences develops drugs for the treatment of serious eye diseases, which usually affect patients in middle age and in many cases lead to total blindness.

Domicile	Vienna, Austria
Development phase	Phase II
Amount invested (m)	EUR 12.9
Fair value (m)	EUR 12.9
Ownership	13.1%
As % of net assets	2.9%
Board member	Axel Bolte



Multidrug-resistant pathogens

Multidrug-resistant pathogens cannot be fought by conventional antibiotics, which is a serious hazard for health facilities. The few available drugs often have reduced effectiveness and the potential for significant side effects. Thousands of deaths in hospitals are caused by resistant pathogens. The pathogens are mostly a product of biological evolution, having survived previous antibiotic therapies through mutations, and then further multiplied. In addition, certain disinfectants and cleaning agents prompt resistance. Such resistance develops primarily at sites where antibiotics are frequently used, i.e. in hospitals. MRSA (methicillin-resistant staphylococcus aureus) is the most well-known pathogen with multiple drug resistance.

Nabriva Therapeutics

Nabriva is a spin-off from Sandoz and focuses on the development of a novel class of anti-bacterial drugs for the treatment of life-threatening bacterial infections. The so-called pleuromutilins inhibit protein synthesis in bacteria. Their antibacterial profile does not show any cross-resistance with other classes of antibacterial drugs. Nabrivas' pleuromutilins target an important medical need for new drugs that are able to treat infections that are caused by multidrug resistant organisms (MRSA). The most advanced drug candidate, BC-3781, is in development for the treatment of severe skin infections as well as pneumonia. Preparations for phase III development are currently at an advanced stage.

Diseases of the retina

An increasing number of older people suffer from a disease of the retina known as macular degeneration. This is the most common cause of age-related blindness in developed countries. Worldwide, some 25 to 30 million people are affected and 500,000 new cases are added each year. Macular degeneration has different causes and variations, but all affect the retina and lead to a gradual loss of vision through to blindness. By far the most common form is age-related macular degeneration (AMD). A distinction is made between the more serious "wet" AMD and the dry form. Alongside smoking and genetic predisposition, age is the biggest risk factor. Existing drug therapies and laser procedures can sometimes slow the vision loss, but rarely stop or cure it.

Ophthotech

Ophthotech is specialised in the development of drugs for the treatment of serious ocular diseases, specifically disorders of the retina. Demographic trends are generating rapid growth in cases of such disorders, the most widespread being wet age-related macular degeneration (wet AMD). Ophthotech focuses entirely on clinical development. The most advanced drug candidate is an anti-PDGF aptamer (E10030), which has been tested in

Domicile	Princeton, NJ, USA
Development phase	Phase II
Amount invested (m)	USD 16.5
Fair value (m)	USD 16.5
Ownership	15.7%
As % of net assets	2.8%
Board member	Axel Bolte



combination with Lucentis® in a global phase II-b study. The study results are expected this summer. A positive outcome would potentially make this combination the new standard of care in the treatment of wet AMD, and should generate significant interest among large pharma companies.

Interventional Spine

Orthopaedics – back pain

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



Domicile	Orange County, CA, USA
Development phase	Products on the market
Amount invested (m)	USD 16.5
Fair value (m)	USD 15.1
Ownership	29.6 %
As % of net assets	2.5 %
Board member	Dr Thomas Thaler

Interventional Spine

Interventional Spine develops, produces and distributes implants and the related application instruments for the treatment of back pain. All Interventional Spine products are implanted minimally invasive through incisions of only 10 to 15 mm in length. This eases treatment and shortens convalescence, thereby lowering costs. During the past year, the company has increased its focus on products for the fusion of the vertebrae. Approved in Europe and the United States, the PerX360 system is currently about to be marketed. A special instrument allows lateral, nerve and tissue-friendly access for its unique expandable implant (Interbody Cage). Thus, the procedure is further simplified, safer and less invasive. Outside the United States Interventional Spine also markets products for the dynamic stabilisation of the vertebrae. The percutaneous operation technique combined with the patented fixation technique, access instruments and implants shortens the duration of intervention while ensuring optimum mechanical stability. With the continued extension of current revenue streams and on-going new product launches, further growth in revenue is expected this year.

Products from Interventional Spine are used for the minimally invasive treatment of back pain.

Alzheimer's disease

Alzheimer's disease is the most common form of dementia. There is currently no cure for the disease. Present treatments only help with its symptoms. Although Alzheimer's disease develops differently for every patient, the most common symptom in the early stages is difficulty in remembering recent events. In advanced stages, confusion and memory loss increase and bodily functions are lost, ultimately leading to death. In most developed societies, Alzheimer's disease is one of the costliest health problems, and the economic dimension of the disease is likely to increase with the ageing of society. The cause and progression of Alzheimer's disease are not fully understood. Research indicates that the disease is associated with plaque and tangles in the brain. As of 2012, more than 1000 clinical trials have been or are being conducted to find ways to treat the disease.



Domicile	Halle/Saale, Germany
Development phase	Phase I
Amount invested (m)	EUR 14.3
Fair value (m)	EUR 7.6
Ownership	10.1 %
As % of net assets	1.7 %
Board member	Dr Erich Platzer

Probiodrug

Probiodrug researches the structure and function of enzymes involved in the maturation of hormones and certain proteins involved in inflammation or neuronal function. Based on this expertise, the company develops inhibitors and ligands that target key enzymes in the human body. The most promising molecules are then developed as drug candidates for the treatment of major diseases such as Alzheimer's disease or chronic inflammatory disorders. Founded in 1997, the company first developed a drug programme for the treatment of type 2 diabetes that was licensed to several pharmaceutical companies. The first diabetes drug based on Probiodrug's technologies reached the market in 2006. Today, Probiodrug focuses on major pharmaceutical markets such as Alzheimer's disease. Here, Probiodrug is pioneering a treatment paradigm shift towards a new causal mechanism, providing considerable first mover advantage. Two related drug candidates are currently in early stages of clinical development.

In research on Alzheimer's disease, Probiodrug is pioneering a treatment paradigm shift.



Infectious diseases

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

Basilea's compounds offer effective treatments for serious infectious diseases.

Domicile	Basle, Switzerland
Development phase	Products on the market/ listed on SIX Swiss Exchange
Market capitalisation (m)	CHF 486
Fair value (m)	CHF 115.7
Ownership	23.8%
As % of net assets	21.5%

Basilea Pharmaceutica

Basilea Pharmaceutica develops and markets drugs to treat bacterial and fungal infections, cancer and skin diseases. Its primary value-drivers are the three preparations alitretinoin, isavuconazole and ceftobiprole. Alitretinoin is an oral drug for the treatment of severe chronic hand eczema in adults. It is marketed under the brand name Toctino® in several European countries, as well as in Canada and Israel. Toctino® generated revenues of CHF 31 million for Basilea in 2011. Product sales will be increased further over the years to come with the targeted expansion of existing markets, the use of distributors and Toctino®'s launch in other countries. Basilea recently announced additional results from a phase III trial in the USA which will have a bearing on FDA approval. The study has reached the end of its clinical trials and confirmed the established effectiveness and safety profiles of alitretinoin. This new clinical data is likely to be submitted to the US licensing authority at the end of the year. FDA approval would open the attractive US market up to Toctino®. Meanwhile, Basilea has signed a licensing agreement with Astellas Pharma for isavuconazole, a phase-III agent and broad-spectrum antifungal. Basilea has already received an up-front payment of CHF 75 million. Isavuconazole has the potential to become the therapy of choice in its field. In the second half of 2012, Basilea will apply for ceftobiprole to be approved in Europe for the treatment of patients with severe pneumonia. At the same time, the company is in active talks about potential partnerships.



Pharmacokinetics

Even the best drug helps only if the right dosage can be delivered to the right place for the entire duration of the treatment. Pharmacokinetics studies the processes underlying what happens to a drug in the body. This entails the absorption into the bloodstream, the distribution within the body,

Domicile	San Diego, CA, USA
Development phase	Products on the market/ listed on NASDAQ
Market capitalisation (m)	USD 291
Fair value (m)	USD 39.6
Ownership	13.6 %
As % of net assets	6.6 %
Board member	Dr Andreas Wicki

metabolic processing – biochemical conversion and degradation by the metabolism – and finally elimination. Pharmacokinetics is now a separate branch of science supplying important information for the optimum formulation and dosage of drugs. The challenge is largely to ensure an ideal dosage.

Pacira Pharmaceuticals

In October 2011, Pacira Pharmaceuticals, a company listed on the US exchange NASDAQ, received registration approval from the United States Food and Drug Administration (FDA) for Exparel™ (DepoBupivacaine) for the treatment of post-operative pain after surgical intervention. Clinical studies with Exparel™ demonstrated significant pain reduction after surgery, leading to a decrease in opiate intake and corresponding cost savings. As a result, the drug’s sales potential increases in the United States, where the marketing of Exparel™ began in April 2012. DepoCyt® against meningitis is another product that is based on Pacira’s DepoFoam® platform. It is manufactured by Pacira and distributed in various markets by strategic partners. Pacira Pharmaceuticals also uses its proprietary DepoFoam® formulation technology on other product candidates, whereby partner firms pay expenses and success fees. The controlled, long-lasting delivery of active ingredients typically results in better patient tolerance, fewer side-effects and less frequent injections.

Pacira Pharmaceuticals enhances the effectiveness of existing drugs: patients benefit from fewer side-effects and less frequent injections.



Autoimmune diseases

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

Domicile	Mountain View, CA, USA
Development phase	Phase III/ listed on NASDAQ
Market capitalisation (m)	USD 385
Fair value (m)	USD 28.1
Ownership	7.3%
As % of net assets	4.7%

ChemoCentryx

ChemoCentryx is known worldwide as a leading specialist in signalling proteins. These provide important starting points for diversified drug development programmes in the major markets of autoimmune and inflammatory diseases and cancer. Since 2010, GlaxoSmithKline (GSK) became a partner in the development of two clinical products, Traficet-EN[®] and CCX354. Traficet-EN[®] is in phase III trials in patients with Crohn's disease, a chronic inflammatory bowel disease, and CCX354 is in phase II trials in patients with rheumatoid arthritis. ChemoCentryx's chemokine technology platform is among the best of its kind and permits the systematic development of a variety of medications. The company possesses a diversified and generally well-advanced range of drug candidates in clinical development. The licensing of two active substances to GSK validated the company's technology impressively. Many of the candidates have blockbuster potential as they are aimed at markets already generating billions in revenue. In February 2012, ChemoCentryx successfully listed on the US technology exchange NASDAQ, thereby securing additional funding for the further development of its pipeline.

ChemoCentryx's technology platform provides new hope to patients with Crohn's disease or other serious inflammatory diseases.

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

Introduction

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

1. Group structure and shareholders

1.1 Group structure

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

HBM BioVentures Ltd

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

The Company's shares are listed on SIX Swiss Exchange. For further information about the shares, please refer to the "Investor Information" section on page 74.

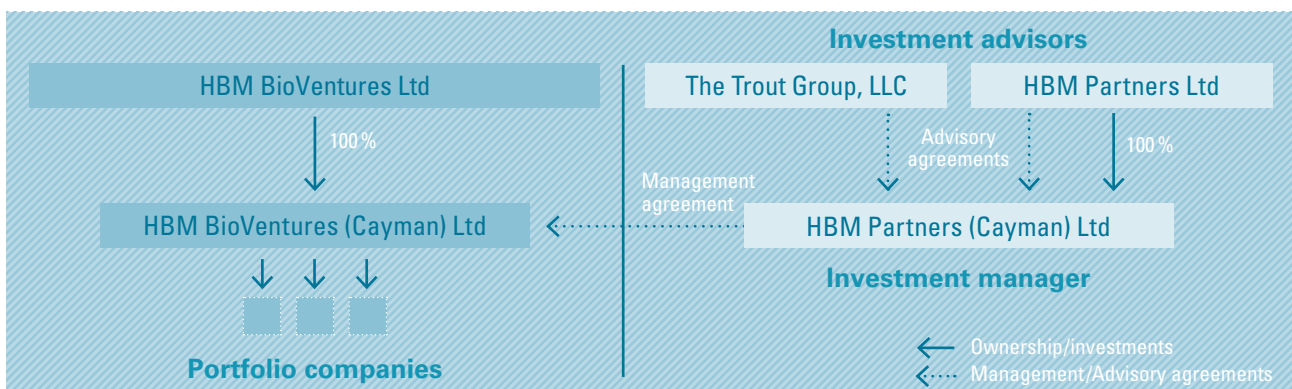
HBM BioVentures (Cayman) Ltd

All investments in portfolio companies are held via HBM BioVentures (Cayman) Ltd, in part indirectly through the subsidiaries HBM Biomedicine (Cayman) Ltd and HBM Biomed China Ltd, both headquartered in the Cayman Islands, as well as HBM BioVentures (Barbados) Ltd and HBM BioVentures International Ltd, both headquartered in Barbados. All subsidiaries are wholly owned by HBM BioVentures (Cayman) Ltd. HBM BioVentures (Cayman) Ltd also holds 100 percent of the capital and voting rights of Tensys Medical Inc., an operating company headquartered in the United States of America. The share capital of HBM BioVentures (Cayman) Ltd as at 31 March 2012 was CHF 934 million.

1.2 Investment manager and investment advisors

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

Group structure with major subsidiaries



HBM Partners (Cayman) Ltd

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

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

HBM Partners Ltd and The Trout Group, LLC

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

1.3 Significant shareholders

As at the balance sheet date, the Company had 886 registered shareholders. Shareholders are institutional and private investors.

For details on shareholders with equity holdings of three percent or more, see note 7.2 to the consolidated financial statements on page 57.

A complete overview of all disclosures received and published by the Company is available on the websites of HBM BioVentures (<http://www.hbmbioventures.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 the share capital

The Company's share capital of CHF 588,000,000 consists of 9,800,000 fully paid-up registered shares with a par value of CHF 60 each. No share certificates are issued.

A review of the Company's changes in capital since 31 March 2009 is provided in the "Consolidated statement of changes in equity" on page 42. For the parent company's "Development of shareholders' equity"; see page 69.

2.2 Rights attached to shares

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

2.3 Limitations on transferability

The Board of Directors may refuse the transfer of shares if the number of registered shares held by the prospective buyer exceeds 10 percent of the total number of registered shares pursuant to the Commercial Register. A number of purchasers acting in a group or in a coordinated manner in order to circumvent registration restrictions are deemed to be a single share purchaser. The Company may also refuse entry in the share register if the share purchaser does not explicitly confirm on request that they have acquired the shares under their own name and for their own account. These limitations on transferability are laid down in the memorandum and articles of association and can be lifted only by an absolute majority of the shares represented at the Ordinary Shareholders' Meeting.

3. Board of Directors

3.1 Members of the Board of Directors

As at 31 March 2012, the Board of Directors was composed of the following members:

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

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

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

3.2 Internal organisation

The Board of Directors constitutes itself. It appoints the Chairman and the Vice Chairman, as well as a Secretary, who does not necessarily have to be a member of the Board of Directors. Meetings of the Board of Directors are convened by the Chairman or, in his absence, by the Vice Chairman. Individual members of the Board of Directors may, stating their reasons, demand that the Chairman call a meeting immediately. Prior to the meetings, the members of the Board of Directors receive compre-

hensive documentation on the agenda items to be discussed.

The Board of Directors passes its resolutions by a majority of votes cast, whereby the Chairman has the deciding vote in the event of a tie. The Board of Directors is quorate when the majority of its members take part in a Board meeting. No quorum is required for resolutions regarding statements on capital increases that have already taken place. Resolutions may also be passed in writing or by telephone conference without a meeting of the Board of Directors being held. Circular resolutions must be unanimous in order to be valid.

Four half-day meetings, as well as two telephone conferences, of the Board of Directors took place during the 2011/2012 financial year. The Company's Chief Executive Officer and Chief Financial Officer also attended all Board meetings.

Audit Committee

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

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

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

The members of the Audit Committee are elected by the Board of Directors. Their term of office corresponds to the term of office on the Board

of Directors. They may be re-elected. The current members of the Audit Committee are:

	First elected to the committee	End of term
Prof. Dr Dr h.c. mult. Heinz Riesenhuber	2001	2014
Dr Rudolf Lanz	2003	2012

The Audit Committee held three half-day meetings and one telephone conference during the 2011/2012 financial year. In addition, the meetings were all attended by the Company's CEO and CFO, as well as Thomas Heimann, in his capacity as the Audit Committee's secretary and controller, as well as Jürg Zürcher and Jörg Schmidt of the auditors, Ernst & Young Ltd. The members of the Audit Committee report to the full Board of Directors on the issues they have discussed. Minutes of Audit Committee meetings are sent for information to all members of the Board of Directors.

Nominating Committee

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

	First elected to the committee	End of term
Dr Rudolf Lanz	2008	2012
Robert A. Ingram	2008	2012

There were no meetings of the Nominating Committee during the 2011/2012 financial year.

3.3 Authorities and responsibilities of the Board of Directors and Management

The Board of Directors is the Company's highest governing body and is also charged with supervising and monitoring the activities of the Management. Furthermore, the Board of Directors passes resolutions on all matters that are not the preserve of or delegated to another governing or executive body under the law, by the Company's memorandum and articles of association or its organisational regulations.

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

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

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

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

The members of the Board of Directors do not hold executive positions, and no member of the Board of Directors has held an executive position with HBM BioVentures in the past. In particular, the Company's Board of Directors does not, in the context of regular business operations, take any decisions with regard to investments in or disposals of individual companies.

3.4 Information and control instruments with regard to the Management

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

The key directives are:

- > the Investment Guidelines, see page 37;
- > the Operations Manual, which governs the investment and disposal processes and the monitoring of portfolio companies;
- > guidelines on own-account trading;
- > guidelines on trading by members of staff in the Company's own shares.

Guidelines on own-account trading

The Company has issued restrictive guidelines for members of HBM BioVentures' governing bodies regarding share transactions for their own accounts. These guidelines also apply to HBM Partners Ltd and its subsidiaries ("HBM Partners") and staff, as well as to staff of The Trout Group working under the instruction of HBM Partners. In principle, own-account transactions involving private companies in the human medicine and medical technology sectors are prohibited. In addition to a number of other regulations, own-account trading in public companies is subject to the rule that the interests of HBM BioVentures must not be infringed upon. Own-account trading involving private companies may be authorised in exceptional cases.

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

The Company has issued restrictive guidelines for members of HBM BioVentures' governing bodies

regarding trading in the Company's own shares.

These guidelines also apply to HBM Partners and its staff, as well as to staff of The Trout Group working under the instruction of HBM Partners. Trading in the Company's own shares is prohibited for insiders if unpublished information exists which would probably be of significance in an investor's decision to buy or sell such shares. Furthermore, insiders are not permitted to trade within defined time windows.

Transactions with related parties

Details of transactions with related parties are given in note 14 to the consolidated financial statements on pages 65 to 66.

Information instruments

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

External review mandates

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

- > review of the corporate governance section of the annual report;
- > audit procedures required by law relating to the reduction of corporate capital;
- > review regarding compliance with the requirements of the share buyback programme and reporting to the Takeover Commission.

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

4. Management

4.1 Members of Management

During the 2011/2012 financial year, the Management was composed of the following members:

- > Dr Andreas Wicki, Chief Executive Officer
- > Erwin Troxler, Chief Financial Officer (since 1.11.2011)
- > Dr Joachim Rudolf, Chief Financial Officer (until 31.10.2011)

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

4.2 Management and advisory agreements

HBM BioVentures (Cayman) Ltd has entered into a management agreement with HBM Partners (Cayman) Ltd. This obliges HBM Partners (Cayman) Ltd to provide management services in connection with the investment activities of HBM BioVentures. Under the terms of the advisory agreements, HBM Partners (Cayman) Ltd has delegated the provision of defined advisory services to HBM Partners Ltd and The Trout Group, LLC. Specifically, these are identifying and evaluating possible investment targets, monitoring existing investments and evaluating potential exit strategies. The management agreement runs until the end of the 2013/2014 financial year and will be extended automatically for periods of two years if it is not terminated by notice.

Any notice of termination must be served at least 18 months before the agreement expires.

HBM BioVentures (Cayman) Ltd pays HBM Partners (Cayman) Ltd a quarterly management fee and an annual performance fee, subject to the high water mark principle. Detailed information on the core elements of the management agreement and on the scope of remuneration is provided in note 9 to the consolidated financial statements on pages 58 to 59.

5. Remuneration and share allotments

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

Details of the remuneration paid to serving members of governing bodies, as well as how this remuneration is determined, can be found in note 14.1 to the consolidated financial statements on pages 65 as well as in the Notes to the Parent Company Financial Statements on page 71.

5.2 Shares owned by members of governing bodies

Details of the shares owned by serving members of governing bodies can be found in the Notes to the Parent Company Financial Statements on page 72.

6. Shareholder co-determination rights

6.1 Voting rights

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

6.2 Submission of agenda items

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

6.3 Entries in the share register

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

7. Auditors

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

The Ordinary Shareholders' Meeting appoints the Company's auditors for each financial year. Ernst & Young Ltd was elected as the Company's statutory and group auditors for the first time for the 2001/2002 financial year. Jürg Zürcher took over as auditor in charge from the 2005/2006 financial year.

7.2 Audit fees

Fees paid to Ernst & Young for auditing the Company's statutory and consolidated financial statements amounted to CHF 178,000 during the fiscal year. The additional fees for reviewing the corporate governance disclosures in the annual report, the audit procedures relating to the capital reduction and the reporting to the Takeover Commission amounted to CHF 20,500.

7.3 Supervision and control instruments with regard to the Auditors

The independence and performance of the auditors are reviewed by the Audit Committee. The auditors are instructed to produce audit reports on the consolidated and statutory annual financial statements, as well as review reports on the corporate governance section of the annual report. In addition, the Board of Directors receives a management letter from the auditors if required, and a comprehensive report following the annual audit. These documents are discussed by the Audit Committee with the auditors. Representatives of the auditors took part in all Audit Committee meetings during the past financial year.

8. Information policy

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

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


The Company's contact address is:

HBM BioVentures Ltd
Bundesplatz 1
CH-6300 Zug, Switzerland
Phone +41 41 768 11 08
Fax +41 41 768 11 09
info@hbmbioventures.com
www.hbmbioventures.com

9. Inapplicability/negative declaration

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

Board of Directors



Hans Peter Hasler	
Chairman of the Board of Directors	
Nationality	Swiss
Date of birth	2 February 1956

Education

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

Professional history

Since 2010 HPH Management GmbH, Switzerland, consultant to biotech and pharma companies (M&A, strategy and marketing)

2008–2009 Biogen Idec Inc., USA, Chief Operating Officer (COO)

2007 Biogen Idec Inc., USA, Head of Global Neurology/Cardiovascular Business

2004–2007 Biogen Idec International GmbH, Switzerland, Senior Vice President, Head of International Organization

2001–2003 Biogen Inc., USA, Head of Commercial Operations

1998–2001 Wyeth Pharmaceuticals, St. Davids/PA, USA, Chief Marketing Officer/Head of Global Strategic Marketing, SVP


1993–1998 Wyeth Pharmaceuticals, Switzerland, Austria, Eastern Europe, Germany

Mandates

Since 2011 Ferring Holding S.A., Member of the Board of Directors

Since 2011 Elan Corporation plc, Member of the Board of Directors

Since 2008 Acino Pharma Ltd, Vice Chairman of the Board of Directors



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

Education

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

Professional history

Since 2006 German Parliamentary Society, Chairman

Since 1995 Goethe University, Frankfurt am Main, Germany, Honorary Professor

Since 1976 Member of the German Federal Parliament (since 1993: Member of the Committee on Economics and Technology, Chairman 2001–2002)

1994–2002 Co-President of the German-Japanese Cooperation Council for High Technology and Environment Technology

1982–1993 German Federal Minister of Research & Technology

1971–1982 Synthomer Chemie GmbH, Frankfurt am Main (Metallgesellschaft AG), CEO

Since 1968 Christian Democratic Party of Hessen, Member of the Presidential Board

1966–1971 Erzgesellschaft mbH, Frankfurt (Metallgesellschaft AG)

1968–1971 CEO

Mandates

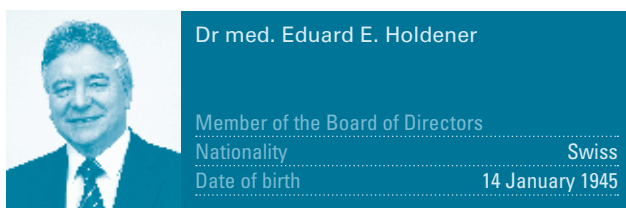
Since 2004 Kabel Deutschland GmbH

2004–2010 Chairman of the Board of Directors

Since 2010 Honorary Chairman

Since 2001 Heidelberg Innovation BioScience

Venture II GmbH, Member of the Investor Committee



Education

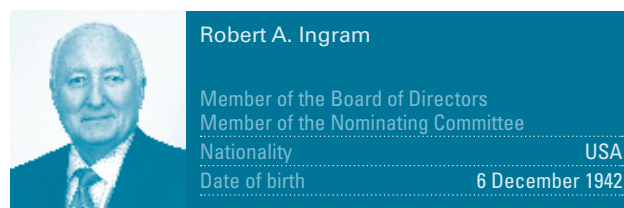
University of Zurich, Medical Faculty and School of Medicine, Zurich, Switzerland (graduation November 1971); MD degree (dissertation) University of Basle, Medical Faculty, Basle, Switzerland, 1975
Clinical activities and training for specialist in internal medicine and oncology, 1972–1986.

Professional history

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

Mandates

Since 2011 Tigenix NV, Member of the Board of Directors
Since 2009 Cellerix SA, Member of the Board of Directors
Since 2008 NovImmune SA, Chairman of the Board of Directors
Since 2008 Parexel International Co., Member of the Board of Directors
Since 2008 Syntaxin Ltd, Member of the Board of Directors



Education


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

Professional history

Since 2007 Hatteras Ventures Partners, USA, General Partner
1990–2010 GlaxoSmithKline plc
2010 Advisor to the CEO
2003–2009 Vice Chairman Pharmaceuticals
2001–2003 President and COO Pharmaceutical Operations
1997–2000 CEO Glaxo Wellcome plc
1999–2000 Chairman of the Board of Directors Glaxo Wellcome Inc
1990–1999 Several executive positions

Mandates

Since 2011 Elan Corporation plc, Chairman of the Board of Directors
Since 2008 Cree, Inc., Member of the Board of Directors (Lead Independent Director)
Since 2005 Allergan Inc., Member of the Board of Directors
Since 2003 Edwards Lifesciences, Member of the Board of Directors
Since 2003 Valeant Pharmaceuticals International, Member of the Board of Directors (Lead Independent Director)

	<p>Dr Rudolf Lanz</p> <p>Member of the Board of Directors Member of the Audit Committee Member of the Nominating Committee</p> <p>Nationality Swiss</p> <p>Date of birth 16 June 1950</p>
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Education

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

Professional history

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

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

1997–2000 Member of the Executive Committee

1995–1999 CFO

1994–1997 Member of the Board of Directors

1992–2000 Partner

1988–2000 Head of Mergers & Acquisitions/ Corporate Finance


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

1976–1977 Allgemeine Treuhand Ltd., Basle, Assurance and Advisory department

Mandates

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

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

	<p>Dr Benedikt Suter</p> <p>Secretary to the Board of Directors</p> <p>Nationality Swiss</p> <p>Date of birth 10 February 1964</p>
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Education

Master's degree and doctorate in law from the University of Basle, Switzerland

Bar exam and qualification as a notary public in the Canton of Basel-Stadt

Professional history

Since 1995 Lenz Caemmerer law firm, Basle, lawyer and notary, partner since 1999

1994 Employment in law firms in London and Paris

1993 Employment in the commercial and land registries of the Canton of Basel-Stadt


1991–1992 Lenz Iselin Riggenbach law firm, Basle, lawyer

Mandates


Since 2004 Gebro Pharma Ltd, Member of the Board of Directors

Since 2003 SIC invent AG, Member of the Board of Directors

Since 2002 Nef Group (Nef Automobile AG, Nef Truckcenter AG, Nef Management AG, Nef Holding AG), Vice Chairman of the Board of Directors



Dr Andreas Wicki	
Chief Executive Officer	
Nationality	Swiss
Date of birth	1 December 1958



Erwin Troxler	
Chief Financial Officer	
Nationality	Swiss
Date of birth	30 May 1970

Education

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

Professional history

Since 2001 HBM BioVentures Ltd and HBM Partners Ltd, Zug, CEO

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

1994–2001 Clinserve Ltd, Founder and CEO

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

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

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

Mandates

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

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

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

Since 2001 HBM BioVentures (Cayman) Ltd, Member of the Board of Directors

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

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

Education

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

Professional history

Since 2005 HBM BioVentures Ltd and HBM Partners Ltd, Zug

Since 2011 Chief Financial Officer

2005–2011 Management of several areas within the Finance Department

2002–2005 Julius Bär Family Office, Zug, VP,

Deputy Branch Manager, responsible for investment companies in the private equity segment

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

1990–1993 Luzerner Kantonalbank, Reiden, Credit Administrator

Mandates

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

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

To the Board of Directors of
HBM BioVentures Ltd, Zug

Zurich, 3 May 2012

Review Report for the Corporate Governance disclosures

In accordance with your instructions, we have reviewed the Corporate Governance disclosures of HBM BioVentures Ltd according to the Directive Corporate Governance (DCG) issued by the SIX Swiss Exchange (pages 25 to 35) for the year ended 31 March 2012.

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 BioVentures 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



Jürg Zürcher
Licensed audit expert
(Auditor in charge)



Jörg Schmidt
Licensed audit expert
German public auditor

Investment Guidelines

As at 31 March 2012

1. Investment objective

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

2. Investment strategy

Within its target sector, HBM BioVentures 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 BioVentures must also be able to influence the portfolio company, particularly with regard to its exit from the investment.
- > HBM BioVentures may acquire majority participations in portfolio companies and thus include these portfolio companies as subsidiaries in its consolidated financial statements.
- > The amount of the investment may be increased in follow-on financing rounds provided the value-creation potential remains intact.
- > HBM BioVentures 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 and Asia, and to a lesser extent in North America.

Availability of funds

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

Debt financing

With the approval of the Board of Directors, HBM BioVentures 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 BioVentures 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 BioVentures' investments are made primarily in equities. HBM BioVentures may also invest in other instruments including, but not limited to, convertible bonds and, exceptionally, debt securities and derivatives.

3. Investment categories

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

Private companies

The majority of capital flows into direct participations in private companies with a convincing business model. These are generally operating at break-even and are unlikely to require any further financing. HBM BioVentures may acquire majority holdings in portfolio companies, and guides and supports them.

Public companies

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

Financial instruments

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

4. Investment decisions

Investment and divestment decisions in relation to individual companies are taken by the Board of Directors of the investing HBM BioVentures entity, HBM BioVentures (Cayman) Ltd., based on the recommendations of the investment manager, HBM Partners (Cayman) Ltd. The investment manager engages one or more investment advisors. Within the scope of HBM BioVentures' ordinary business activities, the Board of Directors of HBM BioVentures Ltd does not make any company-specific investment or divestment decisions.

5. Application of and changes to the Investment Guidelines

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

38 Financial Report The Consolidated Financial Statements of the HBM BioVentures Group and the Parent Company Financial Statements of HBM BioVentures Ltd for the financial year ended 31 March 2012.

Consolidated Financial Statements

Consolidated balance sheet

	Notes	31.3.2012	31.3.2011
Assets (CHF 000)			
Current assets			
Cash and cash equivalents		41,559	155,789
Financial instruments		297	633
Receivables		1,040	7,246
Inventories		470	554
Total current assets		43,366	164,222
Non-current assets			
Investments	(2)	466,772	450,953
Other financial assets	(4)	32,002	7,955
Property, plant and equipment		262	187
Intangible assets	(5)	5,087	5,010
Total non-current assets		504,123	464,105
Total assets		547,489	628,327
Liabilities (CHF 000)			
Short-term liabilities			
Financial instruments		0	353
Short-term financial liabilities	(6)	0	36,166
Other short-term liabilities		2,039	2,580
Total short-term liabilities		2,039	39,099
Long-term liabilities			
Long-term financial liabilities	(6)	6,275	0
Total long-term liabilities		6,275	0
Shareholders' equity			
Share capital	(7)	588,000	612,000
Treasury shares	(7)	-33,084	-26,257
Capital reserve		375,240	369,019
Currency translation differences		110	89
Accumulated loss		-391,091	-365,623
Total shareholders' equity		539,175	589,228
Total liabilities and shareholders' equity		547,489	628,327
Number of outstanding shares (in 000)		9,047	9,635
Net asset value (NAV) per share (CHF)		59.60	61.15

Consolidated Financial Statements

Consolidated statement of income for the financial year ended 31 March

	Notes	2011/2012	2010/2011
Result from investment activities (CHF 000)			
Gains on investments	(2)	64,411	45,655
Losses on investments	(2)	-63,494	-91,398
Result from currency hedging transactions		-9,961	11,442
Gains from other financial instruments		146	633
Losses from other financial instruments		-24	0
Gains on other financial assets		2,622	3,021
Losses on other financial assets		-2,057	-4,276
Gross result from investment activities		-8,357	-34,923
Result from product sales			
Revenues from product sales		154	151
Costs of products sold		-148	-136
Gross result from product sales		6	15
Gross result		-8,351	-34,908
Management fee	(9)	-8,211	-10,000
Personnel expenses	(10) (12)	-2,752	-3,035
Other operating expenses	(12)	-3,789	-4,346
Depreciation and amortisation		-45	-88
Operating result before interest and taxes		-23,148	-52,377
Financial income		149	50
Financial expenses	(6)	-2,468	-4,052
Result before taxes		-25,467	-56,379
Income taxes		-1	-3
Net result for the year		-25,468	-56,382
Number of outstanding shares, time-weighted (in 000)		9,430	9,844
Basic earnings per share (CHF)		-2.70	-5.73

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

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

	2011/2012	2010/2011
(CHF 000)		
Net result for the year	-25,468	-56,382
Contribution to operating result reported in shareholders' equity		
Change owing to currency translation differences	21	242
Total comprehensive result	-25,447	-56,140

Consolidated Financial Statements

Consolidated statement of cash flows

for the financial year ended 31 March

(CHF 000)	2011/2012	2010/2011
Revenues from product sales received	142	141
Costs of products sold paid	-33	-36
Management fee paid	-8,211	-10,000
Other expenses paid (personnel and other operating expenses)	-5,967	-7,276
Net cash flow from operating activities	-14,069	-17,171
Interest payments received	153	43
Purchase of investments	-126,440	-64,583
Sale of investments	92,505	194,501
Payments received from escrow amounts and milestones	6,713	7,263
Net cash flow from financial instruments to hedge currency risks	-10,314	11,795
Sale of other financial instruments	458	0
Purchase of property, plant and equipment	-329	-116
Net cash flow from investing activities	-37,254	148,903
Interest paid on financial liabilities	-3,155	-6,107
Redemption of financial liabilities	-30,000	-77,661
Purchase of treasury shares	-33,541	-26,459
Sale of treasury shares	4,814	4,404
Net cash flow from financing activities	-61,882	-105,823
Currency translation differences	-1,025	796
Net change in cash and cash equivalents	-114,230	26,705
Cash and cash equivalents at beginning of period	155,789	129,084
Cash and cash equivalents at end of period	41,559	155,789

Consolidated Financial Statements

Consolidated statement of changes in equity

	Share capital	Treasury shares	Capital reserve	Currency translation differences	Accumulated loss	Total shareholders' equity
(CHF 000)						
Balance as at 31 March 2009	675,772	-41,256	359,744	-57	-375,274	618,929
Net result for the year					66,033	66,033
Currency translation differences				-96		-96
Total comprehensive result						65,937
Purchase of treasury shares		-29,958				-29,958
Sale of treasury shares		16,704	-5,464			11,240
Capital reduction (18.11.2009)	-33,772	24,152	9,620			0
Balance as at 31 March 2010	642,000	-30,358	363,900	-153	-309,241	666,148
Net result for the year					-56,382	-56,382
Currency translation differences				242		242
Total comprehensive result						-56,140
Purchase of treasury shares		-26,459				-26,459
Sale of treasury shares		6,943	-1,264			5,679
Capital reduction (3.9.2010)	-30,000	23,617	6,383			0
Balance as at 31 March 2011	612,000	-26,257	369,019	89	-365,623	589,228
Net result for the year					-25,468	-25,468
Currency translation differences				21		21
Total comprehensive result						-25,447
Purchase of treasury shares		-33,541				-33,541
Sale of treasury shares		9,320	-385			8,935
Capital reduction (1.9.2011)	-24,000	17,394	6,606			0
Balance as at 31 March 2012	588,000	-33,084	375,240	110	-391,091	539,175

Consolidated Financial Statements

Notes

1. Significant accounting policies

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

1.1 Basis of preparation – Consolidated Financial Statements

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

The preparation of the Consolidated Financial Statements is based on the acquisition cost principle. Any exceptions to this are described in notes 1.4 to 1.17.

With the exception of the new and modified standards and interpretations listed in note 1.20, the same accounting policies and valuation principles as in the previous year have been applied in the preparation of these financial statements.

The preparation of the Consolidated Financial Statements requires Management to make estimates which affect reported earnings, expenditure, assets, liabilities and investment commitments as at the balance sheet date. Should the estimates made by Management to the best of their knowledge at the balance sheet date subsequently be shown to differ from actual circumstances, the original estimates are adjusted accordingly during the reporting year in which circumstances changed. As explained in note 1.7, a degree of uncertainty is attached specifically to estimating individual fair values for private companies and venture capital funds.

1.2 Scope of consolidation

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

Subsidiary	Objective	Ownership in % as at 31.3.2012	Ownership in % as at 31.3.2011
HBM BioVentures (Cayman) Ltd, Cayman Islands	Holding of company interests	100%	100%
HBM Biomedicine (Cayman) Ltd, Cayman Islands	Holding of company interests	100%	100%
HBM Biomed China Ltd, Cayman Islands	Holding of company interests	100%	100%
HBM BioVentures (Barbados) Ltd, Barbados	Holding of company interests	100%	100%
HBM BioVentures International Ltd, Barbados	Holding of company interests	100%	100%
Tensys Medical Inc., USA	Manufacture and distribution of medtech devices	100%	100%

All subsidiaries are wholly owned either directly or indirectly. The subsidiaries' annual financial statements have been adjusted to the Company's reporting period in observance of Group guidelines. Intra-Group transactions have been eliminated.

Shareholdings in associated companies are valued in accordance with the exception provision for venture capital companies under IAS 39 at fair value and are reported as investments. Associated companies are understood as shareholdings in companies

over which HBM BioVentures exerts a significant influence, but does not have a controlling interest (shareholdings of between 20 and 50 percent of voting rights). Please refer to note 3 "HBM BioCapital" concerning the recognition of the holding in HBM BioCapital (EUR) L.P. (equity interest of 44.7%) and HBM BioCapital II L.P. (equity interest of 46.7%) under financial investments.

1.3 Foreign currencies

The functional currency for the operating company Tensys Medical is the US dollar ("USD"). For all other subsidiaries, it is the Swiss franc ("CHF").

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

For consolidation purposes, the assets and liabilities of subsidiaries that use USD are converted at year-end exchange rates, while entries in the statement of income and the statement of cash flows are converted at average rates for the period. Currency translation differences that arise owing to conversion rate changes in the reporting period and to the difference between the period's result at average rates and balance sheet date rates are booked to the statement of changes in equity as a special component of the comprehensive result.

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

(CHF)	31.3.2012	31.3.2011
DKK	0.1618	0.1745
EUR	1.2042	1.3011
GBP	1.4447	1.4730
SEK	0.1364	0.1453
USD	0.9025	0.9190

The following average exchange rate was used in the preparation of the statement of income of the subsidiary with functional currency USD:

(CHF)	2011/2012	2010/2011
USD	0.8795	1.0089

1.4 Cash and cash equivalents

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

1.5 Receivables

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

1.6 Inventories

Inventories are valued at the average cost price in accordance with the "first in, first out" method, but at the highest at their net realisable value. Valuation adjustments are made on inventories with a long shelf life and goods that are difficult to sell.

1.7 Financial instruments and investments

In the Consolidated Financial Statements, derivative financial instruments are referred to as "Financial instruments", while other financial assets such as equity positions in and convertible bonds issued by portfolio companies are referred to as "Investments". These financial assets are reported at fair value through profit and loss, in line with risk management and the investment strategy. These financial assets are recognised at their acquisition cost without transaction costs. After initial recognition, all financial assets are stated at fair value. All gains or losses arising from an adjustment to the fair value of financial assets are entered in the statement of income in the period on which they arise.

Sales of investments and financial instruments are booked out at the anticipated sale proceeds on the date of sale. Claims to escrow amounts or performance-related milestone payments, which result in cash flows only at a later date, are carried under receivables (note 1.5) or other financial assets (note 1.8).

Trade date accounting

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

Derivative financial instruments

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

Investments

Investments are recognised at their acquisition cost, and thereafter at their fair value. The fair value of investments in private companies is determined using the "International Private Equity and Venture Capital Valuation Guidelines". For this purpose, the acquisition cost in the investment currency is used as the best approximation of the fair value of the private company in question, except where

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

> the company is earning significant profits, in which case an appropriate price/earnings ratio is applied, maintaining a discount to reflect the restricted liquidity of the portfolio company (earnings multiple method).

The fair valuation of private companies is reviewed regularly for a possible diminution in value. Venture capital funds are valued based on the net asset value of the fund in question. The Company's Management determines the fair valuations of private companies and venture capital funds on the basis the "International Private Equity and Venture Capital Valuation Guidelines". Given the uncertainty inherent in valuing private equity in general, the reported fair values may differ from the values that might have been used had an active market existed for the investments. This difference may be material in the case of certain individual investments.

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

1.8 Other financial assets

Other financial assets comprise contractual claims on the sale of portfolio companies that are tied to the achievement of predefined objectives (milestone payments). They are valued as financial instruments at fair value, based on an estimate of the probability of success, and discounting for time at a rate of 11 percent per year.

1.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less cumulated depreciation. These assets are written down on a straight-line basis over their estimated useful life, which is between five and ten years.

1.10 Intangible assets

Goodwill

Goodwill from business combinations is stated under intangible assets at its acquisition value, less cumulated valuation adjustments. Capital from company mergers is consolidated according to the purchase method. The difference between the purchase price of a company that has been acquired and the fair value of the net assets taken over is carried in the balance sheet as goodwill at the time of the merger. Goodwill is subject to an annual impairment test. Such tests may be carried out at shorter intervals if a diminution in value is indicated.

Software

Software acquired or developed by a third party will be accounted for at cost less accumulated depreciation. Because the development project is still ongoing, no depreciation has yet been made on the amount capitalised per 31 March 2012.

1.11 Financial liabilities

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

1.12 Provisions

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

1.13 Equity transaction costs of the Company

Expenses incurred in raising the share capital of HBM BioVentures Ltd are charged to the capital reserves under shareholders' equity, net of any related corporate income tax implications.

1.14 Treasury shares

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

1.15 Result from investment activities

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

1.16 Sales revenues

Sales revenues result from Tensys Medical's sale of the T-Line® system and the corresponding sensors. Sales are booked when the product has been delivered, material risks and benefits have been transferred to the buyer, and it is sufficiently probable that the sale price will be paid. Sales revenues are presented net of any impairments to revenue. Provisions are created for estimated discounts, returns and subsequent charges.

1.17 Corporate income taxes

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

Provisions for deferred taxes on corporate income are created using the balance sheet liability method. This takes into account the tax implications of temporary valuation differences between the book value of an asset or a liability in the consolidated financial statements, and its taxable value on the balance sheet date. Calculations are based on the rate of tax that is expected to apply when the tax liability is incurred. Valuation adjustments are created to reduce deferred tax credits if it is unlikely that tax credits will be realised.

1.18 Net asset value and earnings per share

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

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

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

1.19 Segment reporting

HBM BioVentures' primary business activity is the acquisition, holding and sale of equity interests in companies in the human medicine sector ("Investment activities" segment). Following the takeover of Tensys Medical as an operating company, the manufacture and sale of medical devices is reported as a separate segment ("Operating business").

1.20 Changes to accounting policies

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

Standard and interpretation	Effective date
Various	
Improvements to IFRS 2010	1.7.2010 and 1.1.2011
IAS 24 rev.	
Related party disclosures	1.1.2011
IFRIC 14 rev.	
Prepayments of a minimum funding requirement	1.1.2011
IFRIC 19	
Extinguishing financial liabilities with equity instruments	1.7.2010

The implementation of these standards and interpretations had no significant impact on the Consolidated Financial Statements.

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

Standard and interpretation

	Effective date	Financial year in which application is planned
IFRS 7 rev. Financial instruments: disclosures	1.7.2011	2012/13
IAS 12 rev. Deferred tax: recovery of underlying assets	1.1.2012	2012/13
IAS 1 rev. Presentation of items of other comprehensive income	1.7.2012	2013/14
IAS 19 rev. Employee benefits	1.1.2013	2013/14
IAS 27 Separate financial statements	1.1.2013	2013/14
IAS 28 Investments in associated companies and joint ventures	1.1.2013	2013/14
IFRS 10 Consolidated financial statements	1.1.2013	2013/14
IFRS 11 Joint arrangements	1.1.2013	2013/14
IFRS 12 Disclosures of interests in other entities	1.1.2013	2013/14
IFRS 13 Fair value measurement	1.1.2013	2013/14
IFRS 7 rev. Financial instruments – disclosures: Offsetting financial assets and financial liabilities	1.1.2013	2013/14
IFRS 9 Financial instruments	1.1.2015	2015/16

2. Investments

	Domicile	Investment currency (IC)	Amount disbursed as at 31.3.2011 (IC m)	Changes in the reporting period (IC m)	Amount disbursed as at 31.3.2012 (IC m)	Fair value as at 31.3.2012 (IC m)	Ownership as % of portfolio company	Fair value as at 31.3.2012 (CHF 000)	Fair value as at 31.3.2011 (CHF 000)
Private companies									
Cathay Industrial Biotech	China	USD	28.0		28.0	28.0	13.4%	25,270	25,732
PTC Therapeutics	USA	USD	24.2	1.1	25.3	25.3	10.2%	22,835	35,988
Lux Biosciences ¹⁾	USA	USD	19.2	4.8	24.0	24.0	15.4%	21,622	17,646
Nabriva Therapeutics ¹⁾	Austria	EUR	10.4	2.5	12.9	12.9	13.1%	15,582	13,569
Ophthotech	USA	USD	16.5		16.5	16.5	15.7%	14,853	15,125
Interventional Spine	USA	USD	14.6	1.9	16.5	15.1	29.6%	13,647	17,479
Probiodrug	Germany	EUR	13.7	0.7	14.3	7.6	10.1%	9,151	7,338
Cylene Pharmaceuticals	USA	USD	12.2	1.4	13.6	8.6	10.0%	7,791	11,212
Medimpulse Holding	Switzerland	USD	4.4		4.4	8.3	20.7%	7,485	7,622
Ellipse Technologies ²⁾	USA	USD	0.0	8.0	8.0	8.0	24.7%	7,223	0
Enanta Pharmaceuticals	USA	USD	7.7		7.7	7.7	6.0%	6,947	7,074
Vivacta	UK	GBP	3.9	0.2	4.1	4.1	17.1%	5,867	5,683
Delenix Therapeutics ¹⁾	Switzerland	CHF	5.3	1.9	7.2	4.8	15.3%	4,771	2,871
MiCardia ¹⁾	USA	USD	3.2	0.5	3.8	3.8	9.1%	3,389	2,964
Westmed Holding	USA	USD	5.5		5.5	3.5	11.5%	3,114	2,515
mtm laboratories ¹⁾³⁾	Germany	EUR	24.3	-24.3	0.0	0.0	0.0%	0	36,612
Mpex Pharmaceuticals ¹⁾³⁾	USA	USD	13.4	-13.4	0.0	0.0	0.0%	0	9,526
Other investments								24,787	32,729
Total private companies								194,335	251,686

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

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

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

	Domicile	Investment currency (IC)	Total commitment (IC m)	Payments in the reporting period (IC m)	Repayments in the reporting period (IC m)	Cumulative payments as at 31.3.2012 (IC m)	Cumulative payments as at 31.3.2011 (IC m)	Fair value as at 31.3.2012 (IC m)	Fair value as at 31.3.2011 (CHF 000)
Venture capital funds									
BioMedInvest I	Switzerland	CHF	26.0			26.0	7.8	17.2	17,212
Water Street Healthcare Partners	USA	USD	15.0	0.2		14.2	1.5	18.2	16,468
MedFocus Fund II	USA	USD	16.0			16.0	0.0	13.9	12,531
Galen Partners V	USA	USD	10.0	1.4		6.8	0.0	6.5	5,867
Hatteras Venture Partners III	USA	USD	10.0	1.2	0.1	6.0	1.7	5.4	4,872
Symphony Capital Partners	USA	USD	15.0	0.1	0.9	14.7	7.7	5.2	4,687
BioVeda China	China	USD	8.5		26.3	8.5	27.2	4.3	3,892
BioMedInvest II	Switzerland	CHF	10.0	2.0		4.0	0.0	3.4	3,440
Nordic Biotech	Denmark	DKK	31.0	1.0		28.9	9.8	14.2	2,295
EMBL Technology Fund	Germany	EUR	2.1			2.1	0.0	1.6	1,980
Heidelberg Innovation BSV II	Germany	EUR	5.0		0.3	5.0	1.2	0.7	900
BioVentures Investors II	USA	USD	3.0			3.0	0.5	0.9	807
Skyline Venture Partners III	USA	USD	3.0		0.5	2.9	2.9	0.5	407
A. M. Pappas LifeScience Ventures II	USA	USD	3.0		1.4	3.0	3.3	0.4	378
HBM BioCapital II L.P. ¹⁾	Jersey	EUR	42.0			0.0	0.0	0.0	0
Total venture capital funds								75,736	100,123

	Domicile	Investment currency (IC)	Number of shares as at 31.3.2011	Changes in number of shares in the reporting period	Number of shares as at 31.3.2012	Ownership as % of portfolio company	Fair value as at 31.3.2012 (CHF 000)	Fair value as 31.3.2011 (CHF 000)
Public companies								
Basilea Pharmaceutica	P) Switzerland	CHF	665,038	1,619,999	2,285,037	23.8%	115,737	44,026
Pacira Pharmaceuticals	P) USA	USD	3,137,597	296,336	3,433,933	13.6%	35,765	20,473
ChemoCentryx ²⁾	P) USA	USD	2,450,492	186,809	2,637,301	7.3%	25,373	15,764
Swedish Orphan Biovitrum	P) Sweden	SEK	1,114,000	278,500	1,392,500	0.5%	4,256	4,679
SkyePharma	UK	GBP	4,976,806	0	4,976,806	20.8%	2,804	3,006
China Nuokang Biopharmaceuticals	P) China	USD	355,652	0	355,652	1.8%	1,024	1,503
Other investments							11,742	9,694
Total public companies							196,701	99,144
Total investments							466,772	450,953

P) The position originates from the private companies portfolio.

1) As explained in note 3 "HBM BioCapital", pro rata fees of HBM BioCapital II L.P. are reimbursed in full to HBM BioVentures so that fees are not levied twice.

2) The company listed its shares on the Nasdaq exchange in February 2012. The investment was previously reported under private companies.

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

	Private Companies	Venture capital funds	Public companies	Total investments
Development of investments (CHF 000)				
Fair value as at 31 March 2011 as per Annual Report	267,450	100,123	83,380	450,953
Reclassification owing to IPO (ChemoCentryx)	-15,764		15,764	0
Adjusted fair value as at 31 March 2011	251,686	100,123	99,144	450,953
Purchases	27,010	4,839	98,209	130,058
Sales	-77,870	-26,561	-10,725	-115,156
Realised gains	30,695	13,980	1,541	46,216
Realised losses	-106,962	-758	-1,504	-109,224
Changes in unrealised gains	116,604	3,930	23,407	143,941
Changes in unrealised losses	-46,828	-19,817	-13,371	-80,016
Fair value as at 31 March 2012	194,335	75,736	196,701	466,772

The following table shows the gains and losses (realised and unrealised) on single investments for the 2011/2012 and 2010/2011 financial years. Investments are listed separately only if the change in value in terms of the investment currency results

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

Gains on investments
 (realised and unrealised
 per company)¹⁾

	Investment currency (IC)	IC m	2011/2012 (CHF 000)
Private companies			
mtm laboratories	EUR	29.5	30,581
Mpex Pharmaceuticals	USD	3.1	2,715
Other investments			3,320
Total private companies			36,616
Venture capital funds			
Other investments			3,279
Total venture capital funds			3,279
Public companies			
Pacira Pharmaceuticals	USD	15.5	13,575
ChemoCentryx	USD	9.7	8,421
Other investments			2,520
Total public companies			24,516
Total gains on investments			64,411

Losses on investments
 (realised and unrealised
 per company)¹⁾

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

Gains on investments
 (realised and unrealised
 per company)¹⁾

	Investment currency (IC)	IC m	2010/2011 (CHF 000)
Private companies			
PharmaSwiss	EUR	22.3	19,148
Sloning	EUR	3.1	3,960
Asthmatx	USD	3.8	3,700
Total private companies			26,808
Venture capital funds			
BioVeda China	USD	16.5	13,156
Other investments			654
Total venture capital funds			13,810
Public companies			
Micrus Endovascular	USD	5.2	4,057
Other investments			980
Total public companies			5,037
Total gains on investments			45,655

Losses on investments
 (realised and unrealised
 per company)¹⁾

Private companies			
Surface Logix	USD	10.1	10,624
Nereus Pharmaceuticals	USD	5.8	7,299
Recorders and Medicare Systems	USD	4.6	4,884
Broncus Technologies	USD	4.3	4,864
Pelikan Technologies	USD	2.9	3,086
Devax	USD	2.5	2,766
Delenix Therapeutics	CHF	2.4	2,385
Other investments ³⁾			32,739
Total private companies			68,647
Venture capital funds			
Symphony Capital	USD	1.5	2,267
Other investments			2,932
Total venture capital funds			5,199
Public companies			
Pacira Pharmaceuticals	USD	4.0	6,872
Basilea Pharmaceutica	CHF	6.5	6,484
Other investments			4,196
Total public companies			17,552
Total losses on investments			91,398

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

2) Of which CHF 3.6 million loss on foreign currency.

3) Of which CHF 31 million loss on foreign currency.

The net gain on investments of CHF 0.9 million (previous year: net loss of CHF 45.7 million) includes net currency losses of CHF 14.7 million (previous year: net currency losses of CHF 64 million).

3. HBM BioCapital

HBM BioVentures has committed EUR 39.1 million to HBM BioCapital (EUR) L.P., Cayman Islands ("HBM BioCapital I"), which is reported under investments. Of this, EUR 37.0 million had been paid in as at 31 March 2012 (previous year: EUR 36.3 million), while EUR 38.3 million had been repaid (previous year: EUR 33.8 million). As at 31 March 2012, the fair value of the remaining investment in HBM BioCapital I stood at EUR 18.4 million (previous year: EUR 21.6 million). HBM BioCapital I's investments are reported pro rata, in addition to the investments held directly by HBM BioVentures, in note 2 "Investments".

Since its inception in 2004, HBM BioCapital I has returned more to investors than the total paid up capital and currently holds a portfolio of nine companies, which will be sold up to the contractual expiry of the fund in 2014. To continue this successful strategy, HBM BioVentures made a

capital commitment of EUR 42 million to the newly founded HBM BioCapital II L.P., Jersey ("HBM BioCapital II") in February 2012. As at 31 March 2012 no funds from this commitment had been called. The investment in HBM BioCapital II is accounted for under venture capital funds, as HBM BioCapital II will not make investments in companies in which HBM BioVentures is invested directly.

HBM BioVentures and HBM BioCapital I + II are both advised by HBM Partners Ltd. or one of its subsidiaries. As explained in note 9.1 "Management fee", pro rata fees of HBM BioCapital I + II are reimbursed to HBM BioVentures in full so that fees are not levied twice.

4. Other financial assets

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

(CHF 000)	31.3.2012	31.3.2011
Claims to purchase price payments from sales of companies contingent on achievement of defined targets ¹⁾	31,949	7,901
Other financial assets	53	54
Total book value of other financial assets	32,002	7,955
Claims to purchase price payments from sales of companies contingent on achievement of defined targets ²⁾	6,776	3,013
Total claims to purchase price payments from sales of companies contingent on achievement of defined targets (direct and indirect investments)	38,725	10,914

1) From investments held directly

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

The total claims to purchase price payments of CHF 38.7 million consists of CHF 31.9 million from investments held directly by HBM BioVentures and CHF 6.8 million from investments which HBM BioVentures held indirectly through HBM BioCapital (EUR) L.P. and accounted as investments (note 3 "HBM BioCapital").

The book value of contractual claims to purchase price payments contingent on achievement of defined targets developed as follows in the 2011/2012 financial year:

(CHF 000)	Claims from investments held directly	Claims from investments held indirectly (through HBM BioCapital)	Total
Amount as at 31.3.2011	7,901	3,013	10,914
Addition	24,773	3,134	27,907
Payments received	-1,285	-5	-1,290
Realised and unrealised gains	560	635	1,195
Amount as at 31.3.2012	31,949	6,776	38,725

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

(CHF million)	Book value as at 31.12.2012	Range of possible cash flows, minimum	Range of possible cash flows, maximum	Expected period of payment
ESBATEch	7.1	0.0	53.8	2014 – 2018
Mpex ¹⁾	11.0	3.6	>37.0	2012 – 2029
mtm laboratories	17.6	4.6	31.3	2013 – 2016
Other companies	3.1	0.0	11.2	2012 – 2019
Total	38.7	8.2	>139.4	

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

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

ESBATEch: The company was acquired in September 2009 by Alcon Inc. The purchase price comprised an advance payment of USD 150 million, as well as a further USD 439 million in milestone payments that are tied to the achievement of clinical development targets. In addition to the advance, HBM BioVentures has to date received a small initial milestone payment. No further such payments are anticipated before 2014.

Mpex: The company was acquired in April 2011 by Axcan Pharma Inc. (now named Aptalis). Aptalis is paying the purchase price in cash – a guaranteed portion in tranches up to 2014, and the remainder as milestone payments contingent on market licensing and sales successes. HBM BioVentures will receive around USD 6 million in several tranches up to 2014. A further payment of approx. USD 6 million will fall due upon the registration and subsequent licensing of the Aeroquin™ antibiotic. HBM BioVentures is also entitled to turnover-based payments on the basis of product sales up to 2029. These may correspond to several times the current book value of the investment.

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

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

5. Intangible assets

HBM BioVentures' intangible assets developed as follows during the reporting year:

(CHF 000)	Software	Goodwill	Total
Intangible assets as at 31 March 2011	0	5,010	5,010
Addition	163	0	163
Currency translation differences	4	-90	-86
Intangible assets as at 31 March 2012	167	4,920	5,087

The impairment of goodwill from the takeover of Tensys Medical was tested using a "discounted cash flow (DCF)" calculation, based on the latest business plan, which had been approved by Tensys management and which has a planning horizon up to 2016. The expected cash flows were discounted at a rate of 12 percent per year. No growth rates were applied to expected cash flows beyond the planning horizon.

In addition to the DCF calculation, the realisable value of Tensys Medical is reviewed on the basis of past acquisition prices for companies with a similar technology and a comparable stage of development.

The impairment review did not show any impairment of goodwill.

6. Financial liabilities

The following financial liabilities were outstanding as at the balance sheet date:

> Debtor: Tensys Medical Inc.

CHF 6.3 million (USD 7.0 million) of secured loan, including cumulated interest, interest rate 3.5 percent on the par value of USD 5.0 million, due for payment on 1 May 2015, convertible into 30 percent of the total outstanding shares of Tensys Medical after conversion.

The loan was granted to the company by a listed medical technology group as part of a planned alliance that subsequently did not come about. The company's patent rights were put up as collateral for the loan. Beginning of May 2011, the loan was extended four years. Consequently, it was moved in the balance sheet from short-term to long-term liabilities. Interest expense on the loan recorded during fiscal year 2011/2012 amounted to CHF 0.2 million (previous year: CHF 0.5 million).

The HBM BioVentures Ltd straight bond with a par value of CHF 30 million was repaid in full on 16 December 2011. Interest expenses for this bond amounted to CHF 2.3 million (previous year: CHF 3.3 million) during the 2011/2012 financial year.

7. Shareholders' equity

At the Ordinary Shareholders' Meeting of 24 June 2011, it was decided that the Company's share capital should be reduced by means of the cancellation of 400,000 treasury shares that had been acquired under the current 2009 share buy-back programme. Consequently, as at the balance sheet date, the Company's share capital stood at CHF 588 million (previous year: CHF 612 million), divided into 9,800,000 shares (previous year: 10,200,000 shares) at a par value of CHF 60 each. The capital reduction was entered in the Canton Zug Commercial Register on 1 September 2011.

7.1 Treasury shares

The Ordinary Shareholders' Meeting of 4 September 2009 authorised the Board of Directors to repurchase a maximum of 2,140,000 of the company's own shares via a second trading line in a share buy-back programme. The programme is intended to reduce capital and will run until 31 August 2012 ("2009 share buy-back programme"). Within the framework of this 2009 share buy-back programme, a total of 1,497,345 of the Company's own shares have been purchased to date, of which 500,000 shares were cancelled as at 3 September 2010 and 400,000 shares as at 1 September 2011 to reduce capital. As at the balance sheet date of 31 March 2012, the Company held 597,345 of its own shares (previous year: 349,311 own shares), which were acquired as part of this share buy-back programme but have not yet been cancelled.

During the 2011/2012 financial year, the company acquired a total of 648,034 of its own shares via the second trading line, at an average price of CHF 43.50 per share (previous year: 460,360 own shares at an average price of CHF 44.00 per share).

In addition, as at 31 March 2012, the Company held a further 155,710 of its own shares (previous year: 215,690 own shares), acquired via the regular trading line, indirectly via its HBM BioVentures (Cayman) Ltd subsidiary. During the financial year, 124,064 own shares were acquired via the regular trading line at an average price of CHF 43.14 (previous year: 143,753 shares at CHF 43.16), while 184,044 treasury shares were sold at an average price of CHF 48.55 (previous year: 123,513 shares at CHF 45.99).

The number of shares sold in the 2011/2012 financial year includes 73,144 own shares with a total value of CHF 4.1 million that were exchanged against a portfolio of investments in private companies in which HBM BioVentures had already been invested. The exchange took place at fixed valuations based on the net asset value at 30 September 2011.

The CHF 0.4 million trading loss from treasury shares (previous year: loss of CHF 1.3 million) that is booked to shareholders' equity is calculated from the proceeds of the shares that were sold, less the pro rata average purchase price of all own shares acquired since October 2007 via the regular trading line.

7.2 Significant shareholders

Based on information received by the Company, the following shareholders report equity holdings of three percent or more as at 31 March 2012:

Shareholding	Shareholder	Latest notification
10–15%	Astellas Pharma Inc., Tokyo	7.4.2011
5–10%	HBM BioVentures Ltd, Zug (treasury shares)	31.3.2012
	Alpine Select Ltd/Daniel Sauter, Zug	31.3.2011
3–5%	BVK Personalvorsorge des Kantons Zürich	12.2.2008

8. Off-balance-sheet commitments

8.1 Investment commitments

HBM BioVentures had the following investment commitments as at 31 March 2012:

	31.3.2012	31.3.2011
(CHF 000)		
HBM BioCapital (EUR) L.P.	2,495	3,612
HBM BioCapital II L.P.	50,576	0
Private companies	2,001	1,349
Venture capital funds	13,843	18,911
Total investment commitments	68,916	23,872

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

8.2 Commitments from operating leasing

A rental agreement with a fixed term up to 31 May 2013 exists in respect of the operating premises of Tensys Medical in San Diego. Future minimum obligations under this rental agreement run to USD 0.25 million for calendar 2012 and USD 0.15 million for 2013.

9. Management and performance fee

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

The management fee paid to HBM Partners during the 2011/2012 financial year came to CHF 8.2 million (previous year: CHF 10.0 million). No performance fee was paid (previous year: none).

9.1 Management fee

The management fee payable to HBM Partners amount to 1.2 percent of the Company's assets plus 0.3 percent of the Company's market capitalization per year. The Company's assets are calculated from the consolidated shareholders' equity reported as at the end of the previous quarter, plus borrowed capital net of transaction costs, and the Company's holdings of its own shares acquired via the regular trading line, valued at market prices. The market capitalisation is calculated based on the shares listed on SIX Swiss Exchange, valued at the closing price as at the end of the previous quarter. The management fee is paid quarterly, in advance. As explained in note 3, both HBM BioVentures and HBM BioCapital I + II are advised by HBM Partners Ltd or one of its subsidiaries. HBM BioVentures' pro rata share of management fees payable by HBM BioCapital I + II is refunded in full. This prevents fees being charged twice.

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

9.2 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 BioVentures Ltd, as explained in note 14.1 "Remuneration to members of governing bodies and related parties".

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

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

The total performance fee to HBM Partners and to members of the Board of Directors of HBM BioVentures Ltd corresponds to 15 percent of the difference between these two net asset values. It is paid out only if this difference exceeds the high water mark by five percent or more. As the calculation basis, net assets are adjusted in line with changes to the capital structure of HBM BioVentures and any dividends that are paid out. As at 31 March 2012, the high water mark amounted to CHF 107.71 per share (previous year: CHF 107.71 per share).

10. Personnel expenses

Personnel expenses for the Group are composed as follows:

(CHF 000)	2011/2012	2010/2011
Emoluments to Directors and members of the Audit Committee	388	299
Emoluments to Directors of subsidiaries	197	259
Wages and salaries	1,786	2,042
Social insurance contributions and duties	239	264
Other personnel expenses	142	171
Total personnel expenses	2,752	3,035

CHF 0.9 million (previous year: CHF 1.2 million) of the personnel expenses are incurred by the operating subsidiary Tensys Medical Inc. Staff at HBM BioVentures are integrated into the affiliation agreement with an HBM Partners, BVG- approved collective pension foundation. Pension fund contributions are paid in full by HBM Partners. The staff of Tensys Medical may participate in a retirement savings plan ("401(k) retirement plan"), which is financed exclusively by the employees themselves.

11. Taxes

HBM BioVentures does not capitalise deferred tax assets relating to the Company's loss carryforwards because it is unlikely, given the tax status of the Company and its subsidiary on the Cayman Islands, that such loss carryforwards could be used in the near future. The Company's deductible loss carryforwards as at 31 March 2012 amounted to CHF 449 million, which can be set off in subsequent periods:

Tax losses carried forward (CHF 000)	
Within 1 year	650
Within 2 to 5 years	366,947
After 5 years	81,726
Total	449,323

The operational subsidiary Medical Tensys is taxable in the United States of America. As at the balance sheet date, the company had accumulated tax-loss carryforwards for federal and state taxes of CHF 66.2 million (USD 73.3 million) and CHF 45.5 million (USD 50.4 million) respectively. Due to changes of ownership in the past, it is not sure under current law that tax credits resulting from these tax-loss carryforwards can be fully realised. For this reason, they were written off in full as at the balance sheet date.

12. Segment reporting

Since the takeover of Tensys medical, HBM BioVentures divides its reporting into two segments: "Investment activities" and "Operating business", with a particular view to maintaining transparency in financial reporting. Information on the geographical location of these investments is given in the tables in note 2 "Investments". The operations of Tensys Medical are limited to North America.

Segment reporting (CHF 000)**Balance sheet by segment**

	Investment activities 2011/2012	Operating business 2011/2012	Elimination of intra-segment transactions	Total Group 2011/2012	Investment activities 2010/2011	Operating business 2010/2011	Elimination of intra-segment transactions	Total Group 2010/2011
Current assets	42,496	870		43,366	163,284	938		164,222
Non-current assets	500,093	469	3,561	504,123	462,544	228	1,333	464,105
Total assets	542,589	1,339	3,561	547,489	625,828	1,166	1,333	628,327
Short-term liabilities	1,063	2,335	-1,359	2,039	32,136	10,640	-3,677	39,099
Long-term liabilities		6,275		6,275				0
Shareholders' equity	541,526	-7,271	4,920	539,175	593,692	-9,474	5,010	589,228
Total liabilities	542,589	1,339	3,561	547,489	625,828	1,166	1,333	628,327

Statement of income by segment

Result from investment activities								
Gains on investments	64,411			64,411	45,655			45,655
Losses on investments	-63,494			-63,494	-91,398			-91,398
Result from currency hedging transactions	-9,961			-9,961	11,442			11,442
Gains from other financial instruments	146			146	633			633
Losses from other financial instruments	-24			-24				0
Gains on other financial assets	2,622			2,622	3,021			3,021
Losses on other financial assets	-2,057			-2,057	-4,276			-4,276
Gross result from investment activities	-8,357	0	0	-8,357	-34,923	0	0	-34,923
Result from product sales								
Sales revenues from product sales		154		154		151		151
Costs of products sold		-148		-148		-136		-136
Gross result from product sales	0	6	0	6	0	15	0	15
Gross result	-8,357	6	0	-8,351	-34,923	15	0	-34,908
Management fee	-8,211			-8,211	-10,000			-10,000
Personnel expenses	-1,809	-943		-2,752	-1,835	-1,200		-3,035
Other operating expenses	-1,685	-2,104		-3,789	-2,531	-1,815		-4,346
Depreciation and amortisation		-45		-45		-88		-88
Operating result before interest and taxes	-20,062	-3,086	0	-23,148	-49,289	-3,088	0	-52,377
Financial income	181		-32	149	218		-168	50
Financial expense	-2,291	-209	32	-2,468	-3,543	-677	168	-4,052
Result before taxes	-22,172	-3,295	0	-25,467	-52,614	-3,765	0	-56,379

13. Financial risk management

HBM BioVentures is exposed to various financial risks within the limits of the law, the articles of association and the Investment Guidelines. These risks, which are a result of the Group's investment and financial activities, are monitored continuously.

The Board of Directors conducts an annual assessment of business risks. The basis of the analysis is a risk matrix that identifies and evaluates significant risks and defines necessary measures to monitor and mitigate these risks. The Investment Guidelines set out the overall investment strategy, the tolerance of risk and the general risk management philosophy. HBM BioVentures has also established processes for the careful and timely monitoring and controlling of its financial instruments and investments.

The Board of Directors reviews these Guidelines on an annual basis. Management ensures compliance with them by reviewing portfolio composition continuously.

13.1 Risk of limited market liquidity

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

13.2 Market risks

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

The ability of HBM BioVentures' private portfolio companies to realise an increase in value for their investors may depend in part on the appetite of strategic buyers for companies with promising drug and/or medical device development programmes. The fact that mid-sized or large pharmaceutical, biotechnology and medical technology companies have purchased smaller biotechnology or medical technology companies in order to add to their individual product portfolios has not only opened up attractive exit opportunities from many smaller companies, but has also had a positive effect on the valuation of many other companies.

For HBM BioVentures' portfolio of private companies that are still at a relatively early stage of development, the availability of funding is crucial to the continuation of their business activities and to reaching their development objectives. The liquidity provided by the private equity market thus impacts positively on these companies' financing costs. The healthcare sector as a whole depends on society's ability and willingness to pay for drugs, treatments and innovations that help to address health issues. If certain countries, such as the United States

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

13.3 Liquidity risks

The Investment Guidelines oblige HBM BioVentures to maintain an adequate level of short-term funds in order to participate in follow-on financing for portfolio companies and to ensure that it is able to

meet all of its liabilities and investment commitments. When determining the necessary level of liquidity, the most important factors are (1) the expected payment dates of HBM BioVentures' investment commitments, (2) due dates for the repayment of borrowed capital and/or the possibility of refinancing, (3) expected payment dates of other contractual obligations, (4) expected follow-on financing rounds at private portfolio companies, including their anticipated timing, (5) the trading liquidity of public portfolio companies and (6) expected cash flows from the sale of private portfolio companies.

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

Liquidity risks (CHF million)	Book value on 31.3.2012	Total contractual cash flow	Due within 3 months	Due in 3 – 12 months	Due in 12 – 24 months	Due >24 months
Balance sheet liabilities						
Financial liabilities	6.3	6.8		0.2	0.2	6.4
Other short-term liabilities and financial instruments	2.0	2.0	2.0			
Total balance sheet liabilities as at 31 March 2012	8.3	8.8	2.0	0.2	0.2	6.4
Total balance sheet liabilities as at 31 March 2011	39.1	41.4	8.4	33.0	0.0	0.0
Off-balance-sheet investment commitments¹⁾						
Expected drawdowns HBM BioCapital I + II	53.1	53.1	3.0	3.0	6.0	41.1
Expected maturities of investment commitments to private companies	2.0	2.0	2.0			
Expected drawdowns venture capital funds	13.8	13.8	1.0	3.0	5.0	4.8
Total off-balance-sheet investment commitments as at 31 March 2012	68.9	68.9	6.0	6.0	11.0	45.9
Total off-balance-sheet investment commitments as at 31 March 2011	23.9	23.9	3.9	5.0	7.0	8.0

1) Due dates are estimates.

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

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

13.4 Foreign currency risks

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

In the period from June to December 2011, USD 330 million par value of the US dollar foreign exchange risk was hedged through put options. As at 31 March 2012, the foreign currency risk was not hedged (previous year: hedge of EUR 30 million). In the financial year 2011/2012, the currency hedging transactions resulted in a net loss of CHF 10.0 million (previous year: gain of CHF 11.4 million).

As at the balance sheet date, 70 percent (previous year: 65 percent) of HBM BioVentures' total assets were subject to foreign currency risks.

The following table demonstrates the sensitivity of HBM BioVentures' annual result to a possible fluctuation in foreign exchange of +/- 10 percent compared to the foreign exchange rates used for the financial statements as at 31 March 2012:

	Fair value	Foreign exchange rates + 10%	Foreign exchange rates - 10%
31 March 2012 (CHF million)			
Net assets held in USD	298	30	-30
Net assets held in EUR	59	6	-6
Net assets held in other foreign currencies	16	2	-2
31 March 2011 (CHF million)			
Net assets held in USD	311	31	-31
Net assets held in EUR	79	8	-8
Net assets held in other foreign currencies	17	2	-2

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

13.5 Valuation risks and fair values

Given the uncertainties inherent in valuing private companies, the net asset value (NAV) reported by HBM BioVentures may differ from the actual fair value of individual investments. As a result of valuation differences owing to the unavailability of information and the fact that investments are valued without third-party assistance, the estimated values of individual investments may diverge significantly from values that would have been used had a ready market for such securities existed. Such differences could have a material effect on the valuation of individual investments in the financial statements of HBM BioVentures. Valuations of difficult-to-assess investments are made by HBM BioVentures in accordance with its accounting policies, as described in note 1.7, and are the sole responsibility of the Management. The following summary analyses assets and liabilities valued at their fair values, in accordance with their place in the valuation hierarchy, which is defined as follows:

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

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

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

	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobservable inputs"	Total
Assets at fair value as at 31 March 2012 (CHF million)				
Investments				
– Private companies			194.3	194.3
– Venture capital funds			75.7	75.7
– Public companies	196.7			196.7
Financial instruments		0.3		0.3
Other financial assets			32.0	32.0
Total assets at fair value	196.7	0.3	302.0	499.0
Assets and liabilities at fair value as at 31 March 2011 (CHF million)				
Investments				
– Private companies			267.4	267.4
– Venture capital funds			100.1	100.1
– Public companies	83.4			83.4
Financial instruments		0.6		0.6
Other financial assets			8.0	8.0
Total assets at fair value	83.4	0.6	375.5	459.5
Financial instruments		0.4		0.4
Total liabilities at fair value	0.0	0.4	0.0	0.4

The ChemoCentryx IPO resulted in assets amounting to CHF 15.8 million being reclassified from level 3 to level 1 in the 2011/2012 fiscal year.

As at 31 March 2012, there were no financial liabilities that are carried at fair value. Financial liabilities with a book value of CHF 6.3 million (previous year: CHF 36.2 million) are carried at their amortised cost value. The book value approximates fair value.

13.6 Interest rate risks

HBM BioVentures' exposure to interest rate risk is low because interest rates on outstanding financial liabilities are fixed, and the Company holds only short-term positions in cash and cash equivalents.

13.7 Credit risks

Credit risks with regard to all HBM BioVentures investments relate to the risk that a debtor may become unable to meet its liabilities. In order to minimise this risk, HBM BioVentures holds cash and cash equivalents, listed securities, foreign exchange and derivatives only with top-rated financial institutions. In addition, risks are diversified across a number of different counterparties. As at the balance sheet date on 31 March 2012, there were no receivables overdue, and there were no recorded losses on receivables during the 2011/2012 financial year. For the expected payments from deferred purchase price and milestone payments, the maximum default risk refers to the book value of CHF 38.7 million (note 4 "Other financial assets").

13.8 Capital management

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

Details of current share buy-back programmes and the number of treasury shares held by the Company are given in note 7.1 "Treasury shares".

14. Transactions with related parties

14.1 Payments to members of governing bodies and related parties

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

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

By decision of the Board of Directors, the fixed fee for the Chairman was raised from CHF 120,000 to CHF 240,000 per year and the fixed fee for the Vice Chairman from CHF 35,000 to CHF 50,000 per year as per 1 October 2011. The fixed fee for the other three members of the Board of Directors remains unchanged at CHF 35,000 per year.

The two members of the Audit Committee receive an additional fixed fee of CHF 30,000 each per year. The Board of Directors is also entitled to claim a performance fee of a total of five percent of the performance fee paid by HBM BioVentures to HBM Partners (note 9.2 "Performance fee"). The performance fee paid to HBM Partners is then reduced by the same amount. As a result, the sum of all performance fees paid out by HBM BioVentures, including those to members of the Board of Directors, equals 15 percent of the increase in net assets.

The five members of the Board of Directors received fixed directors' emoluments totalling CHF 327,500 (previous year: CHF 239,000) for the 2011/2012 financial year. In addition, the two members of the Audit Committee received fees totalling CHF 60,000 (previous year: CHF 60,000). The social security contributions and duties paid by the Company on these fees came to a total of CHF 15,000 (previous year: CHF 15,000). No performance fee was paid to the Board of Directors (previous year: none).

In the 2011/2012 financial year, the members of Management, who are also employed by HBM Partners, received about 40 percent of their total fixed fee paid out from HBM BioVentures Ltd. For the 2011/2012 financial year, this fee totalled CHF 367,000 (previous year: CHF 266,000), including social security contributions. No performance fee was paid to the members of Management (previous year: none).

A detailed overview of the total compensation of individual members of the Board of Directors and the Management is shown in the notes to the Parent Company Financial Statements on page 71. The Board of Directors as a whole is responsible for determining compensation.

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

14.2 Investment holdings

HBM BioVentures holds a position in the Hatteras Venture Partners III venture capital fund, where Robert A. Ingram is a General Partner. Details of the investment commitment, paid-in capital and valuation of this investment can be found in the overview of venture capital funds given on page 51.

15. Events after the balance sheet date

The Board of Directors of the Company adopted these Consolidated Financial Statements on 3 May 2012. They will be presented to the Ordinary Shareholders Meeting on 22 June 2012 for approval.

No events occurred between the balance sheet date and the date of approval of the annual financial statements that impact on the informational value of the latter.

To the General Meeting of
HBM BioVentures Ltd, Zug

Zurich, 3 May 2012

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of HBM BioVentures Ltd., which comprise the consolidated balance sheet, consolidated statements of income, comprehensive income, cash flows and changes in equity, and notes, for the year ended 31 March 2012, presented on pages 39 to 66.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with article 14 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange as well as Swiss law.

Emphasis of matter

We draw attention to notes 1.7 and 2 of the consolidated financial statements which have been prepared in accordance with article 16 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange. As indicated in note 2, investments in private companies and venture capital funds are measured at fair value of approximately CHF 270.1 million. Due to the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values could differ from their realisable values, whereas the difference may be material. The Board of Directors is responsible for the determination of these fair values. The procedures applied in valuing such investments are disclosed in note 1.7. We have reviewed these procedures and inspected the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment which cannot be independently verified. Our opinion is not qualified in respect to this matter.

Report on other legal requirements

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

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

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

Ernst & Young AG



Jürg Zürcher
Licensed audit expert
(Auditor in charge)



Jörg Schmidt
Licensed audit expert
German public auditor

Parent Company Financial Statements

Balance sheet

	31.3.2012	31.3.2011
Assets (CHF 000)		
Current assets		
Cash and cash equivalents	2,541	12,806
Securities	24,790	14,860
Other current assets	24	31
Total current assets	27,355	27,697
Non-current assets		
Subsidiaries	616,088	636,734
Total non-current assets	616,088	636,734
Total assets	643,443	664,431
Liabilities (CHF 000)		
Short-term liabilities		
Short-term financial liabilities	0	29,798
Liability to subsidiary	72,504	19,504
Other short-term liabilities	2	98
Accrued liabilities	510	1,327
Total short-term liabilities	73,016	50,727
Shareholders' equity		
Share capital	588,000	612,000
Reserves from capital brought in	172,255	165,649
Reserves for treasury shares	33,084	26,257
Free reserves	120,116	126,943
Accumulated loss	-343,028	-317,145
Total shareholders' equity	570,427	613,704
Total liabilities and shareholders' equity	643,443	664,431

Parent Company Financial Statements

Statement of income

for the financial year ended 31 March

	2011 / 2012	2010 / 2011
Operating income (CHF 000)		
Financial income	10	281
Total operating income	10	281
Operating expenses (CHF 000)		
Value adjustments on subsidiaries	20,646	50,866
Value adjustments on securities	865	0
Financial expenses	2,328	3,545
Personnel expenses	1,053	921
Administration expenses	1,001	1,656
Total operating expenses	25,893	56,988
Net result for the year	-25,883	-56,707

Development of shareholders' equity

(CHF 000)	Number of shares	Share capital	Reserves from capital brought in	Reserves for treasury shares	Free reserves	Accumulated income / loss	Total shareholders' equity
Balance as at 31 March 2009	11,262,859	675,772	149,646	41,256	111,944	-343,961	634,657
Capital reduction (18.11.2009)	-562,859	-33,772	9,620	-24,152	24,152		-24,152
Increase in reserves for treasury shares				13,254	-13,254		0
Net result for the year						83,523	83,523
Balance as at 31 March 2010	10,700,000	642,000	159,266	30,358	122,842	-260,438	694,028
Capital reduction (3.9.2010)	-500,000	-30,000	6,383	-23,617	23,617		-23,617
Increase in reserves for treasury shares				19,516	-19,516		0
Net result for the year						-56,707	-56,707
Balance as at 31 March 2011	10,200,000	612,000	165,649	26,257	126,943	-317,145	613,704
Capital reduction (1.9.2011)	-400,000	-24,000	6,606	-17,394	17,394		-17,394
Increase in reserves for treasury shares				24,221	-24,221		0
Net result for the year						-25,883	-25,883
Balance as at 31 March 2012	9,800,000	588,000	172,255	33,084	120,116	-343,028	570,427

Parent Company Financial Statements

Notes to the annual financial statements as at 31 March 2012

1. General

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

2. Financial liabilities

The Company had no bond issues outstanding as at the balance sheet date. The straight bond with a par value of CHF 30 million was repaid in full on 16 December 2011.

3. Treasury shares

The ordinary shareholders' meeting of 4 September 2009 authorised the Board of Directors to repurchase a maximum of 2,140,000 of the Company's own shares via a second trading line in a share buy-back programme. The programme is intended to reduce capital and will run until 31 August 2012 ("2009 share buy-back programme"). Under this 2009 share buy-back programme, a total of 1,497,345 own shares have since been purchased, of which 500,000 shares were cancelled on 3 September 2010 and 400,000 shares on 1 September 2011 to reduce capital. As at the balance sheet date of 31 March 2012, the Company thus held 597,345 of its own shares (previous year: 349,311 shares), which were acquired as part of this share buy-back programme but have not yet been cancelled. These shares are valued at their market value of 31 March 2012.

During the 2011/2012 financial year, the Company acquired a total of 648,034 own shares via the second trading line, at an average price of CHF 43.50 per share (previous year: 460,360 shares at an average price of CHF 44.00 per share).

In addition, as at 31 March 2012 the Company held 155,710 of its own shares (previous year: 215,690 of its own shares), acquired via the regular trading line, indirectly via its BioVentures (Cayman) Ltd subsidiary. During the financial year, 124,064 own shares were acquired via the regular trading line at an average price of CHF 43.14 (previous year: 143,753 shares at CHF 43.16), while 184,044 treasury shares were sold at an average price of CHF 48.55 (previous year: 123,513 treasury shares at CHF 45.99).

4. Significant shareholders

Based on the information received by the Company, the following shareholders report equity holdings of three percent or more as at 31 March 2012:

Shareholding	Shareholder	Latest notification
10– 15%	Astellas Pharma Inc., Tokyo	7.4.2011
5– 10%	HBM BioVentures Ltd, Zug (treasury shares)	31.3.2012
	Alpine Select Ltd/Daniel Sauter, Zug	31.3.2011
3– 5%	BVK Personalvorsorge des Kantons Zürich	12.2.2008

5. Information about the completion of a risk assessment

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

6. Major subsidiaries

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

	Capital as at 31.3.2012	Capital as at 31.3.2011
(CHF 000)		
HBM BioVentures (Cayman) Ltd, Cayman Islands	934,000	934,000

The object of the subsidiary is to enter into and hold investments in the areas of biotechnology, pharmaceutical companies and medical technology, as well as in related industries.

HBM BioVentures Ltd holds investments in private and public companies, as well as in venture capital funds, indirectly via its HBM BioVentures (Cayman) Ltd subsidiary. Owing to the lack of immediately available fair values, the fair valuations of the private companies and venture capital funds held by the subsidiary are determined by the Management on the basis of the "International Private Equity and Venture Capital Valuation Guidelines" and approved

by the Board of Directors. Given the uncertainty inherent in valuing such investments in general, the reported valuations may differ from the values that might have been resulted had an active market existed for the investments.

The CHF 616.1 million book value of the holding in HBM BioVentures (Cayman) Ltd reported in the balance sheet of HBM BioVentures Ltd reflects the total of the valuations of the investments held by the subsidiary. As a result, changes in the valuations of the subsidiary's investments have an impact on the book value of this holding in HBM BioVentures Ltd's balance sheet.

7. Remuneration to the Board of Directors and the Management

Board of Directors (CHF 000)

	Board of Directors fees and salaries 2011/2012	Audit Committee fees 2011/2012	Social security and duties 2011/2012	Total remuneration 2011/2012	Total remuneration 2010/2011
Hans Peter Hasler, Chairman	180	0	0	180	99
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	43	30	13	86	78
Dr Eduard E. Holdener, Member	35	0	2	37	37
Robert A. Ingram, Member	35	0	0	35	35
Dr Rudolf Lanz, Member	35	30	0	65	65
Total Board of Directors	328	60	15	403	314

Management

Dr Andreas Wicki, CEO	134	0	8	142	142
Erwin Troxler, CFO (since 1.11.2011) ¹⁾	95	0	7	102	n/a

Former members of management

Dr Joachim Rudolf, CFO (until 31.10.2011)	118	0	5	123	124
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Total Management

Total Management	347	0	20	367	266
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1) As Erwin Troxler was already employed by HBM BioVentures Ltd before taking office as CFO, the compensation covers all 12 months of the current fiscal year.

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

Partners in the 2011/2012 financial year amounted to CHF 8.2 million (previous year: CHF 10.0 million). Further details can be found in note 9 "Management and performance fee" and in note 14 "Transactions with related parties" to the consolidated financial statements on pages 58–59 and 65–66.

8. Shares held by the Board of Directors and the Management

Board of Directors

Hans Peter Hasler, Chairman	13,000	13,000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	3,500	3,500
Dr Eduard E. Holdener, Member	2,000	2,000
Robert A. Ingram, Member	1,000	1,000
Dr Rudolf Lanz, Member	3,300	3,300

Management

Dr Andreas Wicki, CEO	32,490	32,490
Erwin Troxler, CFO (since 1.11.2011)	500	n/a
Dr Joachim Rudolf, CFO (until 31.10.2011)	n/a	10,100

Registered shares
as at 31.3.2012

Registered shares
as at 31.3.2011

9. Events after the balance sheet date

The board of directors of the Company adopted these statutory annual financial statements on 3 May 2012. No events occurred between the balance

sheet date and the date of approval of the annual financial statements that impact on the informational value of the latter.

To the General Meeting of
HBM BioVentures Ltd, Zug

Zurich, 3 May 2012

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HBM BioVentures Ltd, which comprise the balance sheet, income statement and notes (pages 68 to 72), for the year ended 31 March 2012.

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 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

Ernst & Young AG



Jürg Zürcher
Licensed audit expert
(Auditor in charge)



Jörg Schmidt
Licensed audit expert
German public auditor

Significant shareholders

Based on the notifications received by the Company, the following shareholders are known to hold 3 percent or more of the share capital of HBM BioVentures as at 31 March 2012:

Shareholding	Shareholder	Latest notification
10–15 %	Astellas Pharma Inc., Tokyo	7.4.2011
5–10 %	HBM BioVentures Ltd, Zug (treasury shares)	31.3.2012
	Alpine Select Ltd/ Daniel Sauter, Zug	31.3.2011
3–5 %	BVK Personalvorsorge des Kantons Zürich	12.2.2008

Information on shares

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

Board of Directors

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

¹⁾ Member of the Audit Committee

²⁾ Member of the Nominating Committee

Management

Dr Andreas Wicki, Chief Executive Officer
Erwin Troxler, Chief Financial Officer (since 1.11.2011)
Dr Joachim Rudolf, Chief Financial Officer (until 31.10.2011)

Fees

1.2 % of Company assets plus 0.3 % of the Company's market capitalisation	
High water mark per share for all outstanding shares	NAV of CHF 107.71



Credits

Editorial HBM BioVentures Ltd

Photography Stephan Rappo and iStockphoto

Concept and realisation Weber-Thedy, Corporate & Financial Communications

Design KÜNG Art Direction

Layout and print Bader + Niederöst AG

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The German version is binding in all matters of interpretation.

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