

Annual Report  
2019

# 2020

**HBM** Healthcare  
Investments





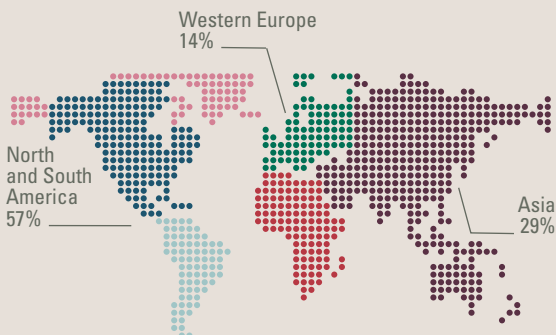
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HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. The company holds and manages an international portfolio of promising companies.

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

### Investments by continents<sup>3)</sup>

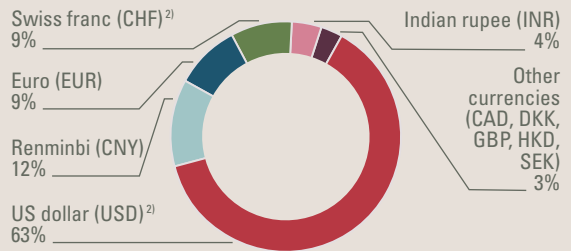
International portfolio with focus on North America.



1) Total consolidated assets as at 31.3.2020: CHF 1578 million.

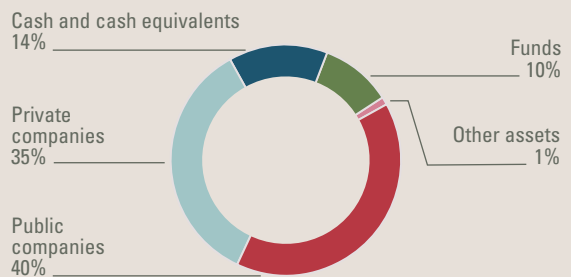
### Currency allocation of assets<sup>1)</sup>

Emphasis on US dollar investments.



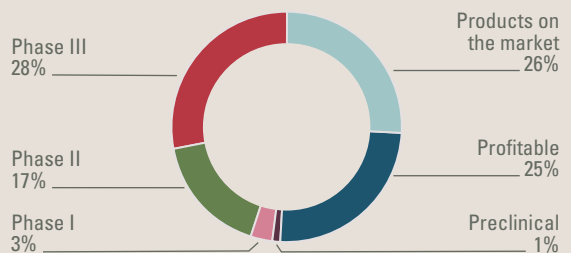
### Allocation of assets<sup>1)</sup>

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



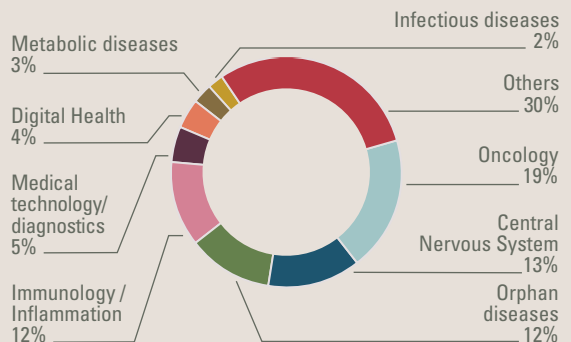
### Development phase of portfolio companies<sup>3)</sup>

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



### Therapeutic area of the lead product of portfolio companies<sup>3)</sup>

Broadly diversified areas of activity.



2) About 26 (USD), respectively 46 (CHF) percent net of market hedge (USD/CHF).

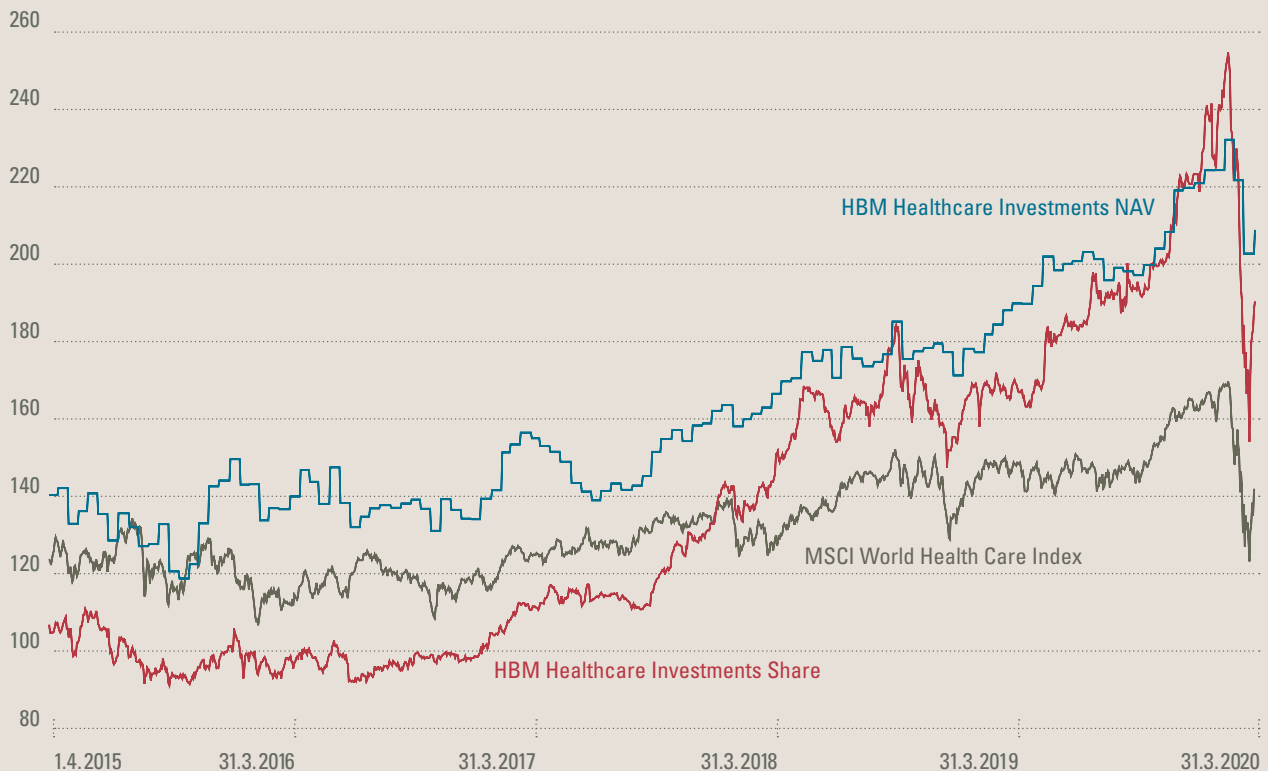
3) Total investments as at 31.3.2020: CHF 1336 million.

<b>Key Figures</b>		31.3.2020	31.3.2019	31.3.2018	31.3.2017	restated 31.3.2016
<b>Net assets</b>	CHF million	<b>1 448.8</b>	<b>1 318.3</b>	<b>1 157.9</b>	<b>1 095.8</b>	<b>1 034.8</b>
Investments in private companies and funds		706.4	542.1	413.9	274.3	299.5
Investments in public companies		629.9	688.2	750.0	813.6	677.0
Cash and cash equivalents (net of liability from market hedging)		224.2	176.2	72.4	77.0	104.8
<b>Net result for the year</b>	CHF million	<b>182.7</b>	<b>209.1</b>	<b>115.9</b>	<b>136.8</b>	<b>23.8</b>
Basic earnings per share	CHF	26.26	30.05	16.55	18.96	3.11
Net asset value (NAV) per share	CHF	208.25	189.48	166.43	155.09	139.41
Share price	CHF	190.00	168.80	144.00	111.40	99.45
<b>Discount</b>	%	<b>-8.8</b>	<b>-10.9</b>	<b>-13.5</b>	<b>-28.2</b>	<b>-28.7</b>
Distribution per share	CHF	7.70 <sup>1)</sup>	7.50	7.00	5.80	5.50
Distribution yield	%	4.1	4.4	4.9	5.2	5.5
Shares issued	Registered shares (m)	7.0	7.0	7.0	7.3	7.7
Shares outstanding	Registered shares (m)	7.0	7.0	7.0	7.1	7.4

1) A cash dividend from a par value repayment (per share eligible for dividend) is being proposed to the Shareholders' Meeting.

<b>Performance (including distributions)</b>		2019/2020	2018/2019	2017/2018	2016/2017	restated 2015/2016
Net asset value (NAV)	%	13.9	18.1	11.1	15.2	3.4
Registered share HBMN	%	17.0	22.1	34.5	17.5	-2.8

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



**CHF 183 million**  
Profit for the 2019/2020 financial year

**17 percent**

Value increase of HBMN share  
incl. cash distribution

**5 Initial Public Offerings (IPOs)**

contributed CHF 116 million  
to net profit

**CHF 7.70 per share**

Cash distribution to shareholders –  
increase of 20 cents









# Storm

Sailors steer clear of notorious tropical storms. In healthcare, the fear is a cytokine storm – when the immune system overreacts.

Infections by viruses or bacteria activate the immune system. In the immune response that follows, cytokines play a crucial role – not only as neurotransmitters, but also in defending the body. In particular, cytokines incite other immunologically relevant substances to the centre of inflammation, where they produce more and more cytokines. However, the positive feedback loop this creates can lead to a dangerous overreaction by the immune system: a cytokine storm. The immune response becomes so excessive that it does more harm than good. This phenomenon also hit the headlines during the COVID-19 pandemic. Treatment involves the use of immunomodulating drugs that adjust the immune system back down to a healthy balance. HBM Healthcare Investments' portfolio includes several companies that are also active in the field of immunomodulation.

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





In the 2019/2020 financial year, HBM Healthcare Investments achieved consistently high value creation, with profit of CHF 183 million and a 14 percent increase in net asset value. The share price rose more strongly than this, climbing 17 percent.

Thanks to a well-balanced portfolio and strategic market hedging, the Company survived the market turmoil after the onset of the COVID-19 pandemic almost unscathed. With a solid balance sheet, a highly selective portfolio and an experienced team, the Company is also well positioned for the future.

Private companies turned out to be the most important earnings drivers in the year under review. To complement the portfolio, CHF 65 million was invested in six new private companies, and a further CHF 58 million in existing positions.

The Board of Directors is proposing a slightly higher cash distribution of CHF 7.70 per share. This equates to a distribution yield of around 4.1 percent. It is also recommending the appointment of Dr Stella Xu, a proven expert in investments in innovative healthcare companies in China and the United States.

#### **Dear Shareholders**

The 2019/2020 financial year, which for a long time seemed to be extremely positive and in "calm waters" (see cover), has been deeply shaken in recent weeks by the events surrounding the COVID-19 pandemic. Nevertheless, HBM Healthcare Investments closed the year very successfully, with a profit of CHF 183 million and 14 percent growth in net asset value per share.



This is not to downplay the worldwide devastation wrought by the pandemic. Around the globe, the virus has not only claimed thousands of lives, but also paralysed entire economic systems. It has also brought home just how fragile our globally networked society is. It remains to be seen what medium to long-term effects the crisis will have. However, HBM Healthcare is confident that the public, politicians and businesses will adapt quickly to the new situation.

The Board of Directors of HBM Healthcare is keeping a constant eye on the changed circumstances. From today's perspective, however, there is no fundamental need to rethink the business model or investment strategy. On the contrary, the current situation is highlighting that health is the ultimate asset. As a company that invests in innovations in the healthcare sector, HBM Healthcare is ideally positioned.

After all, this sector is making a crucial contribution to the management of the pandemic. First and foremost, that means the doctors and nursing staff who are saving lives, showing tremendous dedication and putting their own health at risk. They deserve gratitude and recognition. However, many pharmaceutical and biotechnology companies are also playing a very important role through their research and development activities. They have developed diagnostic tests and launched numerous clinical studies in a very short space of time. There are reasonable grounds to hope that effective therapies or vaccines will be available in the foreseeable future.



# "As a company that invests in innovations in the healthcare sector, HBM Healthcare is ideally positioned."

Hans Peter Hasler  
Chairman of the Board of Directors

## **Nomination of Dr Stella X. Xu for election to the Board of Directors**

The Board of Directors is pleased to propose Dr Stella X. Xu as a highly qualified nominee for election to the Board of Directors. Dr Xu is a proven expert in investing in innovative healthcare companies, with in-depth knowledge of the pharmaceutical sector in the key markets USA and China.

Dr Xu is Managing Director of Quan Capital, a life sciences venture fund with offices in China and the United States since 2017. Prior to that, she worked for Roche for 15 years in various roles in the USA and China. Her last role there, as a core member of the global management team for research and early development in immunology, inflammatory and infectious diseases, involved heading up Roche's Innovation Centre in Shanghai with around 200 scientists. Before joining Roche, Dr Xu spent four years at McKinsey & Company in the USA, where she was responsible for strategic projects in the healthcare sector.

Dr Xu received her PhD in immunology from Northwestern University in Illinois, USA and completed her undergraduate studies in biophysics and physiology at the University of Beijing. She is currently a member of the boards of directors of Centrexion Therapeutics, Tempest Therapeutics and Nextcure.

## **Profit of CHF 183 million despite negative market and currency trends**

HBM Healthcare Investments achieved a profit of CHF 183 million and a 14 percent increase in net asset value (NAV) per share in the 2019/2020 financial year. This came despite negative market and currency trends. The investment currencies depreciated against the Swiss franc by between 3 and 12 percent, reducing performance by around 5 percent, while all relevant sector indices fell (MSCI World Health Care Index –1.6 percent, Nasdaq Biotechnology Index –5.8 percent, S&P Biotech ETF –17.0 percent).

**"The strong result was mainly down to the increase in value from private companies and contributions from hedging transactions."**

Dr Andreas Wicki  
Chief Executive Officer

This strong result was mainly down to the increase in value in the portfolio of private companies and contributions from market and currency hedging transactions.

The portfolio of private companies and funds generated a net increase in value of CHF 203 million. The key contributors were the five IPOs in the year under review, namely: Viela Bio (profit contribution of CHF 35 million), Turning Point Therapeutics (CHF 34 million), Arcutis (CHF 26 million), SpringWorks Therapeutics (CHF 22 million) and Galera Therapeutics (CHF –1 million). Other significant changes in value resulted from revaluations due to financing rounds with third parties at Cathay Biotech (CHF 64 million net, taking into account the CHF 17 million provision for deferred capital gains taxes), Harmony Biosciences (CHF 24 million) and connectRN (CHF –6 million), and due to operational developments at Swixx Biopharma (CHF 15 million) and Vascular Dynamics (CHF –8 million).

The portfolio of public companies and other assets contributed a net CHF 32 million to profit. Net losses in value of CHF 7 million for public companies and CHF 9 million for other assets were more than offset by gains of CHF 48 million from market and currency hedging transactions.

The management fees of CHF 20.5 million reflect the increase in net assets and the Company's higher market capitalisation. Based on the increase in value achieved during the financial year, performance-related fees of CHF 24.7 million for the investment advisor and CHF 1.6 million for the Board of Directors also apply. Other administrative costs and financial expenses are unchanged versus previous years at around CHF 3 million and CHF 2 million respectively.





### **CHF 65 million for six new investments in private companies**

In the year under review, HBM Healthcare Investments invested a total of CHF 65 million in six new private companies. CHF 55 million of this total has already been paid in; CHF 10 million is booked as an investment commitment. In addition, CHF 58 million was invested in existing private companies as follow-up investments.

HBM Healthcare made two new investments in the first calendar quarter of 2020:

- USD 15 million (USD 5 million paid up) is going to the diagnostics company Karius, based in Redwood City, California. Karius is marketing a blood test based on novel sequencing of cell-free DNA that can identify and quantify over 1 000 clinically relevant pathogens including bacteria, DNA viruses, fungi and parasites. Applications include complicated pneumonia, infections in immunocompromised patients and endocarditis.
- ALX Oncology in Burlingame, California received USD 5 million. This company is developing therapies that block the CD47 checkpoint mechanism, which is exploited by cancer cells to evade the immune system.

The other four new investments made during the year under review were in Viela Bio (USD 20 million, antibodies for the treatment of neuromyelitis optica spectrum disorder), Arcutis (USD 15 million, active ingredient for the treatment of psoriasis), Arrakis Therapeutics (USD 7 million, research platform for the discovery of small molecule RNA-binding drugs) and MicroOptx (USD 3 million, development of an implant for the treatment of patients with elevated intraocular pressure).



### **Cash distribution increased by CHF 0.20 to CHF 7.70 per share**

The good business results, the solid balance sheet and the continued positive assessment of the portfolio enable the existing dividend policy to be continued. The Board of Directors is proposing a cash distribution of CHF 7.70 per share to the Annual General Meeting, an increase of CHF 0.20. The distribution will again take the form of a par value repayment that is exempt from withholding tax. Based on the share price at the end of the financial year, the distribution yield is 4.1 percent, which is in the middle of the defined range of 3 to 5 percent.

### **Outlook**

HBM Healthcare Investments has a very solid balance sheet with low debt and a sizeable cash holding. The Company is thus well positioned for the current market environment, which is fraught with uncertainties. Thanks to the experience gained in previous difficult periods for the markets, HBM Healthcare has the knowledge to navigate the pandemic situation and is exercising appropriate caution. For example, it is paying particular attention to guiding and supporting the private portfolio companies. At the same time, HBM Healthcare is looking to seize opportunities as well as surmounting all the challenges that arise.



"With a solid balance sheet,  
low debt and sizeable cash holdings,  
HBM Healthcare is well positioned for  
the current market environment."

Erwin Troxler  
Chief Financial Officer

The three portfolio categories – private companies, funds and public companies – remain well balanced. The partial market hedging of public companies was fully unwound in mid-March. Trends on the financial markets are closely monitored and continuously reassessed with a view to restoring partial hedging. The currency profile is also very balanced, thanks to a currency hedge of USD 600 million against Swiss francs created through forward sales in March.

HBM Healthcare remains confident about the operational performance of its portfolio companies. Various companies expect important study results and market approvals in the current financial year. Acquisitions and IPOs are likely to continue to play an important role in the healthcare sector and bring added value.

We thank you, our valued shareholders, for your continued confidence. We firmly believe that our investment strategy, our expertise and our high-quality portfolio will continue to generate attractive returns for you.



Hans Peter Hasler  
Chairman of the Board of Directors



Dr Andreas Wicki  
Chief Executive Officer



Erwin Troxler  
Chief Financial Officer

<b>Balance sheet</b> (CHF 000)	Notes to IFRS Group Financial Statements <sup>1)</sup>	Consolidated Financials <sup>2)</sup> 31.3.2020 (unaudited)	Translation <sup>3)</sup>	IFRS Group Finan- cial Statements 31.3.2020 (audited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		224 200	- 218 104	6 096
Receivables		208	- 181	27
Financial instruments	(3.2)	4 799	- 4 799	0
<b>Total current assets</b>		<b>229 207</b>	<b>- 223 084</b>	<b>6 123</b>
<b>Non-current assets</b>				
Investments	(3.1)	1 336 284	- 1 336 284	0
Other financial assets	(3.3)	10 694	- 10 694	0
Investment in subsidiary		0	1 546 050	1 546 050
<b>Total non-current assets</b>		<b>1 346 978</b>	<b>199 072</b>	<b>1 546 050</b>
<b>Total assets</b>		<b>1 576 185</b>	<b>- 24 012</b>	<b>1 552 173</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Liability from performance fee	(3.4)	26 262	- 24 686	1 576
Other liabilities		3 094	- 846	2 248
<b>Total current liabilities</b>		<b>29 356</b>	<b>- 25 532</b>	<b>3 824</b>
<b>Non-current liabilities</b>				
Provision for deferred tax on capital gain	(3.5)	17 169	- 17 169	0
Financial liabilities	(4)	99 565	0	99 565
<b>Total non-current liabilities</b>		<b>116 734</b>	<b>- 17 169</b>	<b>99 565</b>
<b>Shareholders' equity</b>				
Share capital		344 520	0	344 520
Treasury shares		- 18 870	18 468	- 402
Capital reserve		151 855	- 9 740	142 115
Retained earnings		952 590	9 961	962 551
<b>Total shareholders' equity</b>		<b>1 430 095</b>	<b>18 689</b>	<b>1 448 784</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 576 185</b>	<b>- 24 012</b>	<b>1 552 173</b>
Number of outstanding shares (in 000)		6 859	98	6 957
Net asset value (NAV) per share (CHF)		208.51		208.25

1) Details on the individual items can be found in the notes to the audited IFRS Group Financial Statements of the annual report.

2) Consolidated financials of the HBM Healthcare Group with full consolidation of the subsidiary HBM Healthcare Investments (Cayman) Ltd., Cayman Islands and its subsidiary HBM Private Equity India Ltd, Republic of Mauritius.

3) Reconciliation to the audited IFRS Group Financial Statements. Based on IFRS 10, the subsidiary is no longer consolidated, but

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



<b>Statement of comprehensive income for the financial year ended 31 March (CHF 000)</b>	Notes to IFRS Group Financial Statements <sup>1)</sup>	Consolidated Financials <sup>2)</sup> 2019/2020 (unaudited)	Translation <sup>3)</sup>	IFRS Group Finan- cial Statements 2019/2020 (audited)
Net result on investments	(3.1)	201 115	-201 115	0
Increase in provision for deferred tax on capital gain	(3.5)	-17 169	17 169	0
Dividend income		4 080	-4 080	0
Net result from financial instruments	(3.2)	55 632	-55 632	0
Net result from other financial assets		-11 120	11 120	0
Dividend income from investment in subsidiary		0	60 000	60 000
Net change in value of investment in subsidiary		0	128 623	128 623
<b>Result from investment activities</b>		<b>232 538</b>	<b>-43 915</b>	<b>188 623</b>
Management fee	(3.4)	-20 545	20 545	0
Performance fee	(3.4)	-24 686	24 686	0
Personnel expenses	(6)	-3 476	908	-2 568
Other operating expenses		-1 259	336	-923
<b>Result before interest and taxes</b>		<b>182 572</b>	<b>2 560</b>	<b>185 132</b>
Financial expenses		-2 435	0	-2 435
Financial income		43	-42	1
Income taxes		0	0	0
<b>Net result for the year</b>		<b>180 180</b>	<b>2 518</b>	<b>182 698</b>
<b>Comprehensive result</b>		<b>180 180</b>	<b>2 518</b>	<b>182 698</b>
Number of outstanding shares, time-weighted (in 000)		6 909	48	6 957
Basic earnings per share (CHF)		26.08		26.26

For the footnotes, see page 12.

<b>Statement of cash flows for the financial year ended 31 March (CHF 000)</b>	Consolidated Financials <sup>2)</sup> 2019/2020 (unaudited)	Translation <sup>3)</sup>	IFRS Group Finan- cial Statements 2019/2020 (audited)
Management fee paid	-20 545	20 545	0
Performance fee for previous reporting period paid	-33 905	33 905	0
Expenses paid (personnel and other operating expenses)	-3 529	-629	-4 158
<b>Net cash flow from operating activities</b>	<b>-57 979</b>	<b>53 821</b>	<b>-4 158</b>
Interest and dividend payments received	4 080	-4 080	0
Dividend payment from subsidiary received	0	60 000	60 000
Purchase of investments	-515 715	515 715	0
Sale of investments	611 559	-611 559	0
Payments received from milestones	29 683	-29 683	0
Net cash flow from financial instruments for market hedging	-48 768	48 768	0
Purchase of other financial instruments	-7 181	7 181	0
Sale of other financial instruments	14 818	-14 818	0
<b>Net cash flow from investing activities</b>	<b>88 476</b>	<b>-28 476</b>	<b>60 000</b>
Interest paid	-2 228	-44	-2 272
Par value repayment	-51 805	-373	-52 178
Purchase of treasury shares	-53 306	53 306	0
Sale of treasury shares	52 458	-52 458	0
<b>Net cash flow from financing activities</b>	<b>-54 881</b>	<b>431</b>	<b>-54 450</b>
<b>Currency translation differences</b>	<b>-19 821</b>	<b>19 822</b>	<b>1</b>
<b>Net change in cash and cash equivalents</b>	<b>-44 205</b>	<b>45 598</b>	<b>1 393</b>
Cash and cash equivalents at beginning of period	268 405		4 703
Cash and cash equivalents at end of period	224 200		6 096

For the footnotes, see page 12.

<b>Statement of changes in equity</b> (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total consolidated shareholders' equity <sup>2)</sup> (unaudited)	Translation <sup>3)</sup>	Total shareholders' equity IFRS (audited)
<b>Balance as at 31 March 2019</b>	<b>396 720</b>	<b>-15 744</b>	<b>149 182</b>	<b>772 410</b>	<b>1 302 568</b>	<b>15 696</b>	<b>1 318 264</b>
Comprehensive result				180 180	180 180	2 518	182 698
Purchase of treasury shares		-53 306			-53 306	53 306	0
Sale of treasury shares		50 180	2 278		52 458	-52 458	0
Par value repayment (12.9.2019)	-52 200		395		-51 805	-373	-52 178
<b>Balance as at 31 March 2020</b>	<b>344 520</b>	<b>-18 870</b>	<b>151 855</b>	<b>952 590</b>	<b>1 430 095</b>	<b>18 689</b>	<b>1 448 784</b>

For the footnotes, see page 12.



# Portfolio Companies



**CHF 73 million** Y-mAbs Therapeutics  
(fair value CHF 73.1 million / 5.0% of net assets)

Viela Bio  
**CHF 64 million**  
(fair value CHF 63.9 million / 4.4% of net assets)

**CHF 63 million** Harmony Biosciences  
(fair value CHF 62.6 million / 4.3% of net assets)

Argenx  
**CHF 39 million**  
(fair value CHF 38.6 million / 2.7% of net assets)

**CHF 21 million** Biohaven  
(fair value CHF 20.5 million / 1.4% of net assets)

uniQure **CHF 18 million**  
(fair value CHF 18.2 million / 1.3% of net assets)

**CHF 13 million** Turning Point Therapeutics  
(fair value CHF 13.2 million / 0.9% of net assets)

# Y-mAbs Therapeutics

New York, USA

USD **1038** million

Market capitalisation as at 31.3.2020

**Major medical benefit**  
for cancers of  
the nervous system

CHF **73** million

Fair value as at 31.3.2020





Radioimmunotherapy combines the targeted effect of an antibody with cancer-killing ionising radiation. In the case of the form used by Y-mAbs, a radioactive molecule is coupled to an antibody that binds only to cancer cells, but not to healthy cells. This means that the antibody delivers the tumour-destroying radiation directly to the cancer cells. This results in fewer side effects than traditional full-body irradiation since healthy tissue is largely spared from the radiation.

Y-mAbs Therapeutics develops immunotherapies to treat rare and therapy-resistant cancers in children; some therapies can also be applied to specific tumours in adults. Omburtamab, used to treat metastatic neuroblastoma in the brain, and Naxitamab, a therapy targeting serious neuroblastoma and osteosarcoma (bone cancer), are in the advanced stages of clinical development.

Neuroblastoma is an especially aggressive disease of the sympathetic nervous system that chiefly presents itself in early childhood. Existing treatment options are inadequate and the survival rate is very low.

Omburtamab is a radioactively labelled monoclonal antibody that binds to the B7-H3 surface antigen that is expressed on a wide range of tumours, including neuroblastoma. Omburtamab is used by Y-mAbs to treat neuroblastoma that have formed metastases in the brain. Following its application, the tumour cells are bound by Omburtamab and then destroyed through radiation delivered by the radioactive isotope coupled to the antibody. This targeted treatment has generated good outcomes and exhibited great promise in the studies conducted.

In the case of Naxitamab, the monoclonal antibody works on its own. It attaches to disialoganglioside or GD2, another surface antigen. GD2 is likewise found on the surface of many tumours, including neuroblastoma and bone tumours (osteosarcoma).

The application for approval for Naxitamab, which is based on a rolling submission, was submitted with the FDA in March this year; the application for approval for Omburtamab is planned for June 2020. An initial FDA decision is expected towards the end of the year.

The company additionally has several other antibodies in preclinical development. These are also focused on treating cancers with a major medical need.

# Viela Bio

Gaithersburg, USA

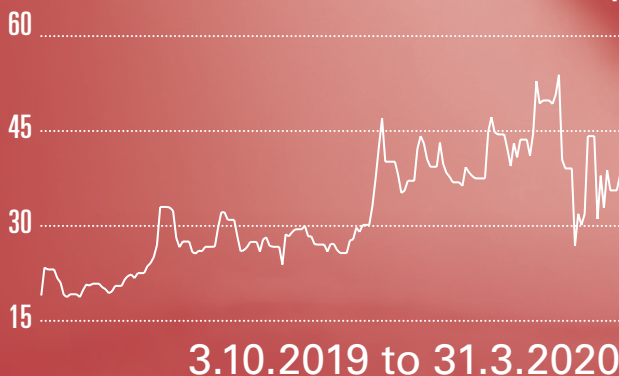
USD **1939** million

Market capitalisation as at 31.3.2020

## Inebilizumab

market approval in the US imminent

Share price since IPO



**NASDAQ**

CHF **64** million

Fair value as at 31.3.2020

Neuromyelitis optica spectrum disorders (NMOSD) are rare inflammatory autoimmune disorders of the central nervous system that affect the optic nerves, spinal cord and brain stem. The disease can cause inflammation of the optic nerves, resulting in impaired vision and in severe cases even leading to blindness. When the spinal cord is impacted, this precipitates muscle weakness, paralysis and, for example, sensory disturbances. The disorder follows a relapsing-remitting course which – unlike multiple sclerosis (MS) – often results in lasting impairments.

An estimated 10 000 patients are affected by NMOSD in the USA. The disorder has not yet been conclusively researched: while it used to be categorised as a form of multiple sclerosis, today NMOSD is considered to be an independent disease where the body's own immune system mistakenly attacks aquaporin-4 (AQP4), a water channel to the brain cells. The evidence of anti-AQP4 antibodies – a so-called autoantibody – in the bloodstream is therefore of crucial importance for establishing a diagnosis, and is positive in approximately 80 percent of all NMO patients.

For a long time, NMOSD was neglected in therapy development. In the meantime, a wide range of antibodies specifically targeting the pathogenesis of NMSOD are in the advanced stages of clinical trials

or have already been approved. The primary goal of these therapies is to avoid relapses. For instance, while Eculizumab is directed at the complement cascade (as an antibody against C5 protein of the complement system, part of our immune system), Satralizumab is a recycling antibody that binds to the anti-interleukin-6 receptor.

For its part, Inebilizumab from Viela Bio depletes B cells, which belong to the category of leukocytes ("white blood cells"). They are generated in the bone marrow and form plasma cells, which in turn secrete antibodies. B cells, along with T lymphocytes, are key parts of the adaptive immune system that protect the body against microorganisms such as bacteria or viruses.

When antibodies are produced by these B cells, however, this also produces some that are misdirected against AQP4. The inflammation resulting from these AQP4 antibodies leads to gaps in the blood-brain barrier. A chain of inflammation is set in motion that can damage the nerve tissue that is responsible for transmitting signals.

Inebilizumab from Viela Bio can now eliminate a broad spectrum of immature as well as mature B cells by attaching directly to CD19 and depleting B cells that express CD19 there. Depletion is understood to mean the removal of substances from the body or their pathologically increased consumption.

In phase III, Inebilizumab was successfully tested on 231 patients, reducing the relapse rate versus the placebo by 73 percent. Market approval is currently pending in the USA.



# Harmony Biosciences

Plymouth Meeting, USA

**USD 826 million**

Company valuation as at 31.3.2020

Innovative drug  
to treat excessive

**daytime sleepiness**

Market approval of **Wakix<sup>®</sup>**  
in the USA

**CHF 63 million**

Fair value as at 31.3.2020

Narcolepsy is a rare chronic neurological disorder that takes a heavy toll on the body. It manifests itself in excessive daytime sleepiness, and in many cases also in cataplexy, hallucinations or other symptoms. Cataplexy is a sudden episode of muscle weakness, typically triggered by emotions. This has a severe impact on patients' quality of life. A distinction is drawn between narcolepsy with or without cataplexy.

The drugs currently available on the market to treat patients suffering from narcolepsy – especially in combination with cataplexy – are inadequate. The authorised active substances – Modafinil, Methylphenidate and Clomipramine – have numerous side effects or are not equally effective against both possible forms of narcolepsy: daytime sleepiness and cataplexy. The most widely known authorised drug is probably Xyrem®, a sodium oxybate from Jazz Pharmaceuticals. Its effectiveness is proven. However, Xyrem® can have side effects and lead to patient dependence, and so it may only be prescribed under strictly controlled conditions. Last year, the drug nonetheless generated sales in excess of USD 1 billion.

Pitolisant has a different mechanism of action. It is an antagonist of the histamine H3 receptor. Histamine plays an important role in regulating daytime sleepiness. By blocking the receptor, Pitolisant promotes the release of histamine in the brain, which leads to increased alertness and reduced excessive daytime sleepiness. The drug also mitigates cataplexy and other associated symptoms such as hallucinations.

Numerous clinical studies have already been completed using Pitolisant. It is effective against excessive daytime sleepiness and cataplexy and has a favourable side effect profile. The active substance has been marketed in Europe since 2016 under the brand name Wakix® to treat narcolepsy in adult patients with and without cataplexy. Last year, the FDA granted market approval to Pitolisant for treatment of excessive daytime sleepiness in patients with narcolepsy. The market launch of the active substance, which comes in the form of a once-daily pill, followed in the fourth quarter of 2019. It is the first and only approved treatment for narcolepsy that is not classified as a controlled substance by the US Drug Enforcement Administration (DEA).

Harmony Biosciences purchased the exclusive rights for Pitolisant from French company Bioprojet SCR in October 2017 to develop, register and market the drug in the USA.

# Argenx

Breda, Netherlands

EUR **5271** million

Market capitalisation as at 31.3.2020

New treatment for  
**autoimmune diseases**

Share price

## EURONEXT



1.4.2019 to 31.3.2020

CHF **39** million

Fair value as at 31.3.2020



Autoimmune diseases are disorders that result in the immune system attacking the body's own cells rather than external ones. In these cases, special antibodies can be introduced from outside as treatment which then have a regulating effect on the impaired immune system. Antibodies or immunoglobulins play a key role in fighting off infection by marking foreign substances that have invaded the body – antigens – and activating other parts of the immune system.

Argenx is using its technology platform to develop antibodies that reduce specific proteins in the blood that have been identified as triggers for serious autoimmune disorders or types of cancer. The development pipeline comprises a wide range of product candidates.

ARGX-113 (Efgartigimod) is by far the most advanced therapy in clinical development. It is being tested on four immunoglobulin-G (IgG)-associated autoimmune diseases, including myasthenia gravis, which leads to muscle weakness.

All four applications are centred around the immunoglobulin-G (IgG), which make up around 60 to 80 percent of all antibodies. Moreover, IgG is the only immunoglobulin that can cross the placental barrier and thus be transferred from the mother's to the child's circulatory system. It is found in breast milk and in the bloodstream.

Another focus is the neonatal Fc receptor (FcRn). The Fc domain of human immunoglobulin-G1 attaches to FcRn which is expressed on a lifelong basis and is part of a natural mechanism in which immunoglobulins are protected against lysosomal degradation and can be reintroduced into the blood circulation, which results in a longer plasma half-life. FcRn thus plays an important role in regulating the concentration of IgG in the bloodstream. In principle, the extended half-life resulting from FcRn bolsters the body's immune defence through immunoglobulins, yet it also supports the half-life of IgG auto-antibodies, which attack the body's own cells and lead to tissue damage in people suffering from autoimmune disorders.

The ARGX-113 antibody works as follows: it consists of a modified FcRn receptor part and is intended to prohibit antibody or immunoglobulin recycling via the FcRn bond and thus to effect a rapid reduction in "harmful" IgG antibodies in the blood circulation. In the case of myasthenia gravis, for example, these are pathogenic IgG antibodies against a particular neurotransmitter that transmits impulses from nerves to muscles.

The phase III results that are relevant for the approval of the indication myasthenia gravis are due to be published in the second half of 2020.



# Biohaven Pharmaceuticals

New Haven, USA

**USD 1978 million**

Market capitalisation as at 31.3.2020

**Innovative tablets**

to treat acute migraine attacks

**CHF 21 million**

Fair value as at 31.3.2020

Share price

**NASDAQ**



1.4.2019 to 31.3.2020

People prone to migraines suffer from an incessant barrage of severe headaches. Other symptoms such as nausea and sensitivity to light and sound are not uncommon. An estimated 800 million people or 10 percent of the world's population are afflicted by migraines. As soon as the disorder has set in, which often happens between the ages of 30 and 50, it persists for a lifetime. This makes migraines the most common neurological disorder.

Half of patients have one attack per month; one in ten migraine sufferers as many as four or more attacks. Episodes occurring in adults last between 4 and 72 hours and are accompanied by pulsating and pounding headaches, which are exacerbated by physical activity. A distinction is drawn between episodic and chronic migraines. Guidelines exist on acute therapies and the prevention of migraines.

Usually, when faced with a light to moderate attack, patients take analgesics such as acetylsalicylic acid (e.g. Aspirin) and non-steroidal anti-inflammatory drugs such as Ibuprofen, Naproxen or Diclofenac. People who suffer from acute migraines tend to reach for triptans, a drug class that has been around since the 1990s. However, triptans do not always have the desired treatment outcome. Added to this, they are unsuitable for some patients because they provoke adverse side effects.

"Gepants", now in the second generation, promise a similarly effective alternative to triptans. On the plus side, they are also potentially more tolerable. Gepants stop headaches by blocking the receptor for CGRPs (calcitonin gene related peptides) – a small protein that is released by the body during migraine episodes.

Biohaven develops drugs for neurological disorders, including its leading drug candidate Rimegepant – a preparation available in oral (tablet) form for the acute treatment and prophylaxis of episodic migraines. Extensive phase III studies showed that Rimegepant can eliminate the pain associated with migraine attacks as well as the predominant accompanying symptoms. No adverse cardiovascular effects were observed during treatment. Rimegepant was approved by the US health authorities at the end of February this year as NURTEC™ ODT (orally dissolving tablet).

Biohaven has additionally published positive study results on migraine prophylaxis in the meantime. The company plans to submit its application for approval with the FDA and the European regulatory authorities in the near future.



**uniQure**

Amsterdam, Netherlands

**USD 2109 million**

Market capitalisation as at 31.3.2020

**Gene therapy candidates**  
with potential

Share price

**NASDAQ****CHF 18 million**

Fair value as at 31.3.2020

A large number of cell and gene therapies targeting rare, genetic disorders are currently in the development pipeline. The focus is on illnesses which can be clearly attributed to mutations of a specific gene. Diseases that until not long ago were incurable and usually fatal can be treated using cell and gene therapies, and in some cases even cured completely. Often, one-time application is sufficient. Around 300 cell and gene therapies are in development today. From 2025, the FDA predicts that 10 to 20 new therapies will be approved per year.

UniQure is the European pioneer in the area of gene therapies. The Dutch company has built up a promising gene therapy platform over the past 20 years that boasts its own production capacities in the US and has already produced a selection of pipeline candidates. By far the most advanced gene therapy is AMT-061 used to treat haemophilia B, which is in phase III of clinical development. Another candidate is the gene therapy AMT-130, currently in phase I/II, to combat Huntington's disease (a genetic disorder that causes the progressive breakdown of nerve cells in the brain).

Haemophilia impairs the body's ability to make blood clots, meaning that injuries do not stop bleeding. It is caused when coagulation proteins do not function

correctly, or in some cases are absent entirely. If the factor VIII protein is defective, the diagnosis is haemophilia A; if the culprit is factor IX protein, it is referred to as haemophilia B. Globally, around 320 000 people have haemophilia A, which accounts for 80 percent of all haemophilia disorders. In two out of three cases, the blood disease is inherited. While there are effective treatment methods out there, they mostly involve blood transfusions in order to prevent bleeding. Depending on the type of haemophilia and coagulation factor product used, patients have to inject themselves a prophylaxis between three times a week and once every two weeks. Around 15 to 20 percent of all patients with severe haemophilia develop antibodies against the coagulation factors introduced, as a result of which they are no longer effective. In the case of haemophilia B, this risk is not as acute.

Many of these problems can be avoided if the body could be made able to produce the missing coagulation factor itself. The aim of the research, therefore, is to transfer an intact copy of the defective gene into liver cells so that these can produce the coagulation factors VIII or IX for themselves. This transfer is enabled with the help of "gene shuttles", which are developed from adeno-associated viruses (AAV). These healthy genes then serve as a blueprint for building the functionally intact coagulation factors, which are discharged into the blood and normalise clotting there.

The long-term data presented recently by uniQure from phase IIb show much promise: in patients treated, the factor IX concentration reached up to 50 percent of the normal value of a healthy person. What is more, the patients included in the study did not exhibit any bleeding for one year after receiving the dose. In addition, uniQure did not have to suppress any immunological responses which can otherwise occur when administering gene therapies.



# Turning Point Therapeutics

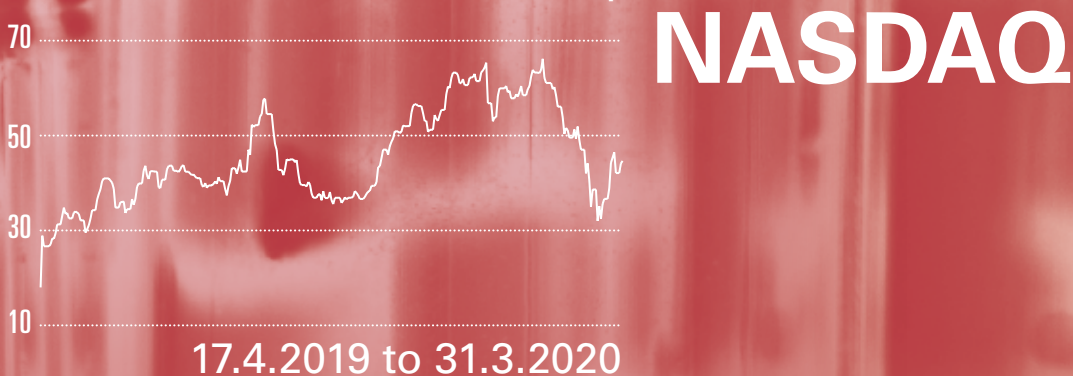
San Diego, USA

USD **1602** million

Market capitalisation as at 31.3.2020

Promising pipeline in the  
field of **precision oncology**

Share price since IPO



CHF **13** million

Fair value as at 31.3.2020

For a long time, chemotherapies have been the standard medical treatment for cancer. While these highly toxic substances are effective at inhibiting tumour cells, at the same time they also damage other tissue and often cause serious side effects. By contrast, targeted therapies in the fight against cancer are often likened to snipers. These small molecular substances, which can often be taken as tablets, are targeted at specific genetic changes that play a decisive role in the growth of certain tumours.

Turning Point Therapeutics focuses on tyrosine kinases which play a key role in a large number of cancers. Since the late 1990s, more than 30 tyrosine kinases-inhibiting medications have been approved worldwide. Molecular mutations in tyrosine kinase genes such as ROS1, NTRK or MET promote the development of various subtypes of lung cancer, among other things.

The active substances developed by Turning Point could potentially target 15 percent of all non-small-cell lung cancers (over 40 000 the USA and Europe), as well as subgroups of patients with other types of cancer, such as breast and colon cancer or

melanoma. Turning Point designed its molecules in such way that they fit perfectly and compactly into the binding pocket of the tyrosine kinases and thus – unlike other medications – can also be effective against certain resistant tumours.

Given their high effectiveness, new and targeted active substances can often be brought to approval in relatively small studies and in some cases do not even need a control arm. This is preconditioned on the precise selection of patients on the basis of a genetic analysis of their tumours – something that has been made possible in recent years thanks to advances in molecular diagnostics. To date, however, targeted therapies like this are only available for a small portion of all aggressive tumours.

Repotrectinib, by far the most advanced active substance candidate in Turning Point's pipeline, has already returned promising results in previous clinical studies. It is therefore now being tested in a series of parallel phase II studies against ROS1 and NTRK mutant tumours. The first interim results are expected by the end of 2020.

Due to their mechanism of action, targeted drugs such as Repotrectinib are tailored to specific molecular mutations in tumours regardless of the affected tissue. Thus, Turning Point is part of a new trend in oncology, the so-called "tissue-independent" development of cancer drugs. In this area, for a few years now, new active substances have been approved not for certain types of cancer, as was previously the case, but for certain molecularly defined tumours, regardless of where they occur in the human body.

# Corporate Governance



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

This Corporate Governance Report contains the information, effective 31 March 2020, that is required by the "Directive on Information Relating to Corporate Governance (DCG)" issued by SIX Swiss Exchange, and the content and scope, which are required under the provisions of the "Ordinance against Excessive Compensation in Listed Companies (OAEC)" issued by the Federal Council and entered into force on 1 January 2014, and is structured in accordance with these directives.

## 1. Group structure and shareholders

### 1.1 Group structure

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

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

### HBM Healthcare Investments Ltd

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

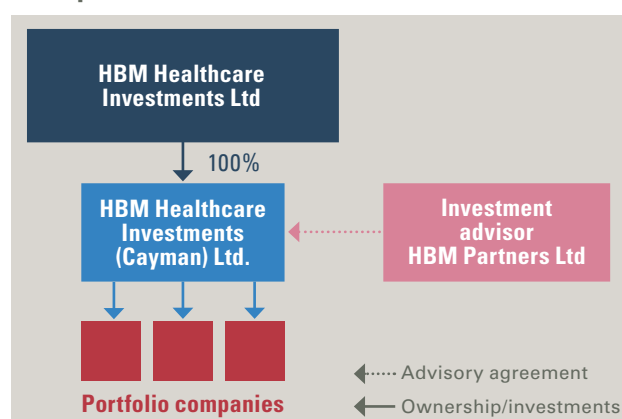
The Company's shares are listed on SIX Swiss Exchange (ISIN CH 0012627250). The market capitalisation of the Company amounted to CHF 1 322 million as at 31 March 2020.

### HBM Healthcare Investments (Cayman) Ltd.

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

The share capital of HBM Healthcare Investments (Cayman) Ltd. was CHF 846 million as at 31 March 2020.

### Group structure





### **HBM Private Equity India Ltd**

The company holds a portfolio of private Indian portfolio companies. The share capital of HBM Private Equity India Ltd was USD 1000 as at 31 March 2020.

#### **1.2 Investment advisor**

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

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

#### **1.3 Significant shareholders**

As at the balance sheet date, the Company had 2521 registered shareholders. Shareholders are institutional and private investors.

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

A complete overview of all disclosures received and published by the Company is available on the websites of HBM Healthcare (<https://www.hbm-healthcare.com/en/investors/information>) and

SIX Swiss Exchange (<https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/>). The Company is not aware of the existence of any shareholder pooling agreements.

## **2. Capital structure**

### **2.1 Share capital and changes to share capital**

The Company's share capital of CHF 344 520 000 consists of 6 960 000 fully paid up registered shares with a par value of CHF 49.50 each. No share certificates are issued.

A review of the Company's changes in capital since 31 March 2017 is provided in the parent company's "Statement of changes in equity" on page 89.

### **2.2 Rights attached to shares**

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

### **2.3 Limitations on transferability**

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

### 3. Board of Directors

#### 3.1 Members of the Board of Directors

As at 31 March 2020, the Board of Directors was composed of the following members:

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

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

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

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

#### 3.2 Internal organisation

The Board of Directors shall consist of five or more members, who must be shareholders. The Board of Directors consists of a Chairman, Vice Chairman and members, who shall be appointed to various committees. In the current reporting period 2019/

2020 the following committees have been in place:

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

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

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

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

Four half-day meetings of the Board of Directors took place during the 2019/2020 financial year. The Company's Chief Executive Officer and Chief Financial Officer, as well as Dr Benedikt Suter, in his function as the Board's secretary, attended all Board meetings.

The rule with respect to the number of permissible external mandates of members of the Board of Directors can be found in Art. 26 of the Articles of Association. The Articles of Association are available on the Company's website (<https://www.hbmhealthcare.com/en/investors/information>).

#### **Audit Committee**

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

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

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

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

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

The Audit Committee held three half-day meetings and a telephone conference during the 2019/2020

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

#### **Compensation Committee**

Members of the Compensation Committee were appointed by the Shareholders' Meeting in June 2019. The Compensation Committee comprises at least two members of the Board of Directors. The Shareholders' Meeting appoints the members of the Compensation Committee individually for a period of office that lasts until the close of the next ordinary Shareholders' Meeting. They may be reappointed. If there is a vacancy or vacancies on the Compensation Committee, the Board of Directors will nominate one or more of its members to serve on the Compensation Committee until the close of the next ordinary Shareholders' Meeting. The Compensation Committee constitutes itself. It appoints one of its members as its Chairman. The Board of Directors issued rules on the organisation of the Compensation Committee and how it passes its resolutions.

The Compensation Committee supports the Board of Directors with the determination and review of compensation policy and guidelines and performance targets, as well as with the preparation of proposals to the Shareholders' Meeting concerning the compensation to be paid to the Board of Directors and Management. It may submit proposals to the Board of Directors on other compensation-related matters. The Compensation Committee has the right to make proposals but no decision-making power. The Chairman of the Board of Directors, (other) members of the Board of Directors and the Management may attend the meetings of the Compensation Committee.

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

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

The Compensation Committee held one meeting during the 2019/2020 financial year.

### **Nominating Committee**

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

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

The Nominating Committee held two meetings and two telephone conferences during the 2019/2020 financial year.

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

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

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

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

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

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

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



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

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

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

#### Guidelines on own-account trading

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

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

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

### Transactions with related parties

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

#### Information instruments

In addition to the Company's comprehensive external reporting, prior to each of its meetings, the Board of Directors receives detailed documentation from the Management about the performance of the Company and its advisory organisation. Among the issues reported upon at each meeting of the Board of Directors are financial performance, financial risk management (see note 8 on pages 79 to 83), major portfolio events, liquidity planning, new developments in the advisory organisation, and compliance with own-account and insider trading guidelines. Regular meetings are held between the Chairman of the Board and the Management.

#### External review mandates

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

- > review of the Corporate Governance section of the annual report;
- > review of the Compensation Report;
- > audit procedures required by law in relation to the par value repayment of 12.9.2019.

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

## 4. Management

### 4.1 Members of Management

As at 31 March 2020 the Management was composed of the following members:

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

The rule with respect to the number of permissible external mandates of members of the Management can be found in Art. 26 of the Articles of Association.

The Articles of Association are available on the Company's website (<https://www.hbmhealthcare.com/en/investors/information>).

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

#### **4.2 Advisory agreement**

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

### **5. Remuneration and share allotments**

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

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

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

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

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

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

### **6. Shareholder co-determination rights**

#### **6.1 Voting rights**

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

#### **6.2 Submission of agenda items**

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

#### **6.3 Entries in the share register**

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

## 7. Change of control and defensive measures

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

## 8. Auditors

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

The Ordinary Shareholders' Meeting appoints the Company's auditors for each financial year. Ernst & Young Ltd was appointed as the Company's statutory and group auditors for the first time for the 2001/2002 financial year. As required by Swiss law, rotation of auditor in charge applies after a maximum of seven years. Jürg Zürcher has been auditor in charge since the 2019/2020 financial year.

### 8.2 Audit fees

The fee paid to Ernst & Young Ltd for auditing the Company's Statutory Financial Statements and Group Financial Statements IFRS amounted to CHF 161 000 (previous year: CHF 161 000) during the reporting year. The fee for auditing the par value repayment amounted to CHF 8 000 (previous year: CHF 8 000). The fee for auditing the compliance with bond terms amounted to CHF 8 000 (previous year: CHF 8 000). Additional fees for reviewing the corporate governance disclosures in the annual report, the compensation report as well as other audit related services amounted to CHF 6 500 (previous year: CHF 6 500).

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

The independence, objectivity and performance of the auditors are reviewed by the Audit Committee by using the following criteria: technical, operational and sector specific expertise; sufficient availability and adequate use of resources; ability to provide effective, practical recommendations; open and effective communication as well as coordination with the Audit Committee and the Management. The auditors are instructed to issue audit reports on the Group Financial Statements IFRS and the

Statutory Financial Statements, on their review of the corporate governance section of the annual report and the Compensation Report, as well as to run the audit procedures required by law in relation to the par value repayment of 12.9.2019. In addition, the Board of Directors receives a management letter from the auditors if required, and a comprehensive report following the annual audit. These documents are discussed by the Audit Committee with the auditors. Representatives of the auditors attended two of the total of four Audit Committee meetings (including telephone conference) in the 2019/2020 financial year.

## 9. Information policy

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

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

## 10. Inapplicability/negative declaration

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



**Hans Peter Hasler**

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

**Career**

Swiss Federal Commercial Diploma, Marketing Certificate, Swiss School of Business Administration SIB, Zurich; since 2017 CEO of Vicarius Pharma. Prior to this, international management positions at Wyeth Pharmaceuticals (1993 to 2001), Biogen and Biogen Idec (2001 to 2009), as well as Elan Corporation (2012 to 2013)

**Directorships**

Chairman of the Board of Directors MIAC AG since 2012. Member of the Board of Directors Minerva Neurosciences since 2017 and Shields Therapeutics plc since 2018



**Mario G. Giuliani**

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

**Career**

Economist; executive positions and directorships at Giuliani SpA (1996 to 2014), Recordati SpA (2011 to 2014), Nogra Group SA (2015 to 2016) and Fair-Med Healthcare AG (2013 to 2017)

**Directorships**

Member of the Board of Directors ElevateBio LLC since March 2020, NGR (MONACO) SAM since 2015, Giuliani SpA since 1999; Member of the Investment Committee Royalty Pharma since 2001, and Mosaix Ventures LLP since 2000 as well as various other directorships within the Nogra-Group



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

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

**Career**

Doctorate in chemistry; long-standing chief executive of several companies; Member of the German Parliament 1976 to 2017; German Federal Minister of Research and Technology 1982 to 1993; Chairman of German Parliamentary Society 2006 to 2018; numerous directorships

**Directorships**

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



**Dr med.  
Eduard E. Holdener**

Member of the Board of Directors since 2008, Swiss national

**Career**

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

**Directorships**

Chairman of the Board of Directors NovImmune S.A. 2008 to 2019 and CEO 2016 to 2018





**Robert A. Ingram**

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

**Career**

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

**Directorships**

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



**Dr Rudolf Lanz**

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

**Career**

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

**Directorships**

Chairman of the Board of Directors Dr. Rudolf Lanz AG since 2009; Member of the Board of Directors MIAC AG since 2015



**Dr Andreas Wicki**

Chief Executive Officer since 2001, Swiss national

**Career**

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

**Directorships**

Member of the Board of Directors Viela Bio since 2019, Harmony Biosciences since 2017, Vitaeris Inc. since 2016, Pacira Pharmaceuticals Inc. since 2007, HBM Healthcare Investments (Cayman) Ltd. since 2001, and Buchler GmbH since 2000



**Erwin Troxler**

Chief Financial Officer since 2011, Swiss national

**Career**

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

**Directorships**

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

To the Board of Directors of

**HBM Healthcare Investments Ltd, Zug**

Zurich, 7 May 2020

## Review Report for the Corporate Governance disclosures

In accordance with your instructions, we have reviewed the Corporate Governance disclosures of HBM Healthcare Investments Ltd according to the Directive Corporate Governance (DCG) issued by the SIX Swiss Exchange (pages 33 to 42) for the year ended 31 March 2020.

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

We conducted our review in accordance with Swiss Auditing Standard 910 applicable to review engagements. This standard requires that we plan and perform the review to obtain assurance that the Corporate Governance disclosures are free from material misstatements, although not with the same level of assurance obtained from an audit. A review is limited primarily to inquiries of personnel and analytical procedures applied to the disclosures. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

Ernst & Young Ltd



Jürg Zürcher  
Licensed audit expert  
(Auditor in charge)



Roman Ottiger  
Licensed audit expert

# Investment Guidelines



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

### 1. Investment objective

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

### 2. Investment strategy

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

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

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

### Geographical focus

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

### Availability of funds

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

### Debt financing

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

### Hedging

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

### Investment instruments

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



### 3. Investment categories

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

#### Private companies

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

#### Public companies

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

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

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

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

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

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

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

# Compensation Report



This Compensation Report for the 2019/2020 financial year sets out the compensation system for, and the compensation paid to, the members of the Board of Directors and the Management of HBM Healthcare Investments Ltd (HBM Healthcare or the Company). The content and scope of the disclosures comply with the regulations set out in the "Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO)", which was passed by the Federal Council and entered into force on 1 January 2014, and the SIX Swiss Exchange Directive on Corporate Governance (DCG).

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

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

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

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

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

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

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

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



the full Board of Directors determines the following:

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

The Compensation Committee supports the Board of Directors with the determination and review of compensation policy and guidelines, as well as performance targets, and with the preparation of proposals to the Shareholders' Meeting concerning the compensation to be paid to the Board of Directors and Management. Consulting external advisors and specific studies at appropriate intervals, the Compensation Committee submits its proposals in this regard to the full Board of Directors for the latter to adopt a resolution. The aforementioned advisors do not hold any other mandates with HBM Healthcare or the Investment Advisor.

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

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

#### 3.1 Basis and elements

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

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

- > Fixed director's fee (cash payment);
- > Board meeting fee (cash payment);

- > Fixed fee for committee membership (cash payment);
- > Variable compensation depending on value growth achieved (equity and cash payment);
- > Social security contributions.

The Board of Directors set the fixed element of its members' compensation as follows for the 2019/2020 reporting year:

<b>Fixed compensation to Board of Directors (in CHF)</b>	<b>2019/2020</b>	<b>2018/2019</b>
Chairman of the Board of Directors	94 000	94 000
Vice Chairman of the Board of Directors	43 000	43 000
Member of the Board of Directors	28 000	28 000
Board meeting fee, per meeting <sup>1)</sup>		
– Chairman	4 000	4 000
– Members	3 000	3 000
Member of the Audit Committee	30 000	30 000
Member of the Compensation Committee	10 000	10 000
Member of the Nominating Committee	0	0

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

The variable compensation paid to the Board of Directors is based on the increase in the Company's net asset value that has been achieved, in accordance with the same principles that apply to the performance fee that is due to the Investment Advisor under the advisory agreement (for further information on this and what follows here, please see section 9 below). Each member of the Board of Directors is entitled to a cash payment corresponding to up to one percent of the amount of the performance fee owed by HBM Healthcare to the Investment Advisor. The entitlement of newly elected members of the Board of Directors is 0.33 percent in the first year, 0.67 percent in the second year, and one percent from the third year onwards. At least 50 percent of the variable compensation to the Board of Directors is paid in form of company shares.

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

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

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

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

During the 2019/2020 reporting period, the six members of the Board of Directors together

received compensation totalling CHF 2 054 950 (previous year: CHF 2 518 539). Of this figure, CHF 405 000 (previous year: CHF 396 000) was paid out in the form of fixed directors' fees and board meeting fees for service on the Board of Directors and on the Board Committees.

The variable compensation paid in accordance with the increase in value achieved came to CHF 1 575 600 (previous year: CHF 2 034 000). Social security contributions totalled CHF 74 350 (previous year: CHF 88 539). By resolution dated 4 November 2019, the members of the Board of Directors undertook to draw at least 50 percent of their variable compensation for the 2019/2020 and following financial years in form of company shares.

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

Compensation to Board of Directors 2019/2020 financial year (in CHF)	Committee <sup>1)</sup>			Meeting fee	Committee fee	Variable compensation	Social security contributions & duties <sup>2)</sup>	Total
	AC	CC	NC					
Hans Peter Hasler, Chairman				94 000	16 000	0	262 600	372 600
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			43 000	12 000	30 000	262 600	378 358
Mario G. Giuliani, Member		x		28 000	12 000	10 000	262 600	336 543
Dr Eduard E. Holdener, Member				28 000	12 000	0	262 600	322 249
Robert A. Ingram, Member		x	x	28 000	12 000	10 000	262 600	312 600
Dr Rudolf Lanz, Member		x	x	28 000	12 000	30 000	262 600	332 600
<b>Total Board of Directors</b>				<b>249 000</b>	<b>76 000</b>	<b>80 000</b>	<b>1 575 600</b>	<b>2 054 950</b>

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

2) Of the social security contributions, CHF 18876 was paid on fixed compensation and CHF 55474 on variable compensation.

Compensation to Board of Directors 2018/2019 financial year (in CHF)	Committee <sup>1)</sup>			Meeting fee	Committee fee	Variable compensation	Social security contributions & duties <sup>2)</sup>	Total
	AC	CC	NC					
Hans Peter Hasler, Chairman				94 000	16 000	0	339 000	449 000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			43 000	12 000	30 000	339 000	459 389
Mario G. Giuliani, Member		x		28 000	12 000	10 000	339 000	417 994
Dr Eduard E. Holdener, Member				28 000	9 000	0	339 000	400 156
Robert A. Ingram, Member		x	x	28 000	6 000	10 000	339 000	383 000
Dr Rudolf Lanz, Member		x	x	28 000	12 000	30 000	339 000	409 000
<b>Total Board of Directors</b>				<b>249 000</b>	<b>67 000</b>	<b>80 000</b>	<b>2 034 000</b>	<b>2 518 539</b>

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

2) Of the social security contributions, CHF 17862 was paid on fixed compensation and CHF 70677 on variable compensation.

## 4. Compensation to members of Management

### 4.1 Basis and elements

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

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

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

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

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

The two members of Management are also in a relationship of employment with the Investment Advisor. They participate as minority shareholders in the Investment Advisor.

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

During the 2019/2020 reporting period, the two members of Management together received compensation totalling CHF 319 259 (previous year: CHF 319 147). Of this figure, CHF 296 000 (previous year: CHF 296 000) was paid out in the form of fixed salaries. Social security contributions totalled CHF 23 259 (previous year: CHF 23 147).

The members of Management received the following compensation:

<b>Compensation to Management 2019/2020 financial year</b> (in CHF)	Working hours	Fixed salary	Social security contributions	Total
Dr Andreas Wicki, CEO	40%	176 000	13 762	189 762
Erwin Troxler, CFO	40%	120 000	9 497	129 497
<b>Total Management</b>		<b>296 000</b>	<b>23 259</b>	<b>319 259</b>

<b>Compensation to Management 2018/2019 financial year</b> (in CHF)	Working hours	Fixed salary	Social security contributions	Total
Dr Andreas Wicki, CEO	40%	176 000	13 695	189 695
Erwin Troxler, CFO	40%	120 000	9 452	129 452
<b>Total Management</b>		<b>296 000</b>	<b>23 147</b>	<b>319 147</b>

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

As at 31 March 2020, there were no loans or credits outstanding which HBM Healthcare had granted to current or former members of the Board of Directors or Management, or parties related to them (previous year: none).

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

During the 2019/2020 reporting year, the Company did not pay any compensation to related parties which did not conform to normal market terms (previous year: none).

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

No payments were made to former members of the Board of Directors or Management during the 2019/2020 reporting year (previous year: none).

## 8. Contractual conditions upon leaving HBM Healthcare

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

## 9. Advisory agreements

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

guidelines defined by HBM Healthcare. The advisory agreement runs at least until 30 June 2021, and is automatically extended by twelve months in each case if it is not terminated by notice. Any notice of termination must be served at least twelve months before the end of the contract term.

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

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

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

The management fee paid to the Investment Advisor for the 2019/2020 financial year came to CHF 20.5 million (previous year: CHF 17.3 million).

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



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

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

For the 2019/2020 financial year, the net asset value per share before provision for the performance fee, i.e. the relevant figure for the calculation of the performance fee, stood at CHF 212.03, and thus above the high water mark of CHF 186.86. Once the variable compensation to the Board of Directors is deducted, a performance fee of CHF 24.7 million is due to the Investment Advisor. At the beginning of the 2020/2021 financial year, the high water mark for all outstanding shares thus increases to CHF 212.03 (adjusted for any future dividend payments or capital repayments made to shareholders).

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

## **10. Rules under the Articles of Association**

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

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

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

Where an individual joins Management, or is promoted within Management, after compensation has been approved by the Shareholders' Meeting, the Board of Directors may approve an additional amount if the compensation that has been approved is not sufficient to cover the compensation to this individual. For each compensation period and member this additional amount may not exceed 60 percent of the most recently approved total maximum amounts for fixed and variable compensation to Management. No additional amount has been paid (previous year: none).

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

Under the Articles of Association, loans to members of the Board of Directors and Management may be granted on market terms only and may not exceed the amount of one year's compensation for each member. No pension benefits may be paid outside of occupational pension schemes. No loans, credits and pension benefits have been granted (previous year: none).

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

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

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

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

To the General Meeting of

**HBM Healthcare Investments Ltd, Zug**

Zurich, 7 May 2020

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

We have audited the remuneration report of HBM Healthcare Investments Ltd for the year ended 31 March 2020. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables of section 3.2 and 4.2 as well as sections 5 to 8 of the remuneration report.

**Responsibility of the Board of Directors**

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

**Auditor's responsibility**

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

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

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

### Opinion

In our opinion, the remuneration report for the year ended 31 March 2020 of HBM Healthcare Investments Ltd complies with Swiss law and articles 14 - 16 of the Ordinance.

Ernst & Young Ltd



Jürg Zürcher  
Licensed audit expert  
(Auditor in charge)



Roman Ottiger  
Licensed audit expert



# Financial Report



Balance sheet (CHF 000)	Notes	31.3.2020	31.3.2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6 096	4 703
Receivables		27	26
<b>Total current assets</b>		<b>6 123</b>	<b>4 729</b>
<b>Non-current assets</b>			
Investment in subsidiary	(3)	1 546 050	1 417 427
<b>Total non-current assets</b>		<b>1 546 050</b>	<b>1 417 427</b>
<b>Total assets</b>		<b>1 552 173</b>	<b>1 422 156</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Liability from performance fee	(3.4)	1 576	2 034
Other liabilities		2 248	2 457
<b>Total current liabilities</b>		<b>3 824</b>	<b>4 491</b>
<b>Non-current liabilities</b>			
Financial liabilities	(4)	99 565	99 401
<b>Total non-current liabilities</b>		<b>99 565</b>	<b>99 401</b>
<b>Shareholders' equity</b>			
Share capital	(5.1)	344 520	396 720
Treasury shares	(5.2)	-402	-402
Capital reserve	(5.1)	142 115	142 093
Retained earnings		962 551	779 853
<b>Total shareholders' equity</b>		<b>1 448 784</b>	<b>1 318 264</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 552 173</b>	<b>1 422 156</b>
Number of outstanding shares (in 000)		6 957	6 957
Net asset value (NAV) per share (CHF)		208.25	189.48

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

	Notes	2019/2020	2018/2019
Dividend income from investment in subsidiary	(3)	60 000	52 000
Net change in value of investment in subsidiary	(3)	128 623	163 503
<b>Result from investment activities</b>		<b>188 623</b>	<b>215 503</b>
Personnel expenses	(6)	-2 568	-2 923
Other operating expenses		-923	-1 079
<b>Result before interest and taxes</b>		<b>185 132</b>	<b>211 501</b>
Financial expenses		-2 435	-2 435
Financial income		1	1
Income taxes		0	0
<b>Net result for the year</b>		<b>182 698</b>	<b>209 067</b>
<b>Comprehensive result</b>		<b>182 698</b>	<b>209 067</b>
Number of outstanding shares, time-weighted (in 000)		6 957	6 957
Basic earnings per share (CHF)		26.26	30.05

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

<b>Statement of cash flows for the financial year ended 31 March (CHF 000)</b>	2019/2020	2018/2019
Expenses paid (personnel and other operating expenses)	-4 158	-2 852
<b>Net cash flow from operating activities</b>	<b>-4 158</b>	<b>-2 852</b>
Dividend payment from subsidiary received	60 000	52 000
<b>Net cash flow from investing activities</b>	<b>60 000</b>	<b>52 000</b>
Interest paid	-2 272	-2 269
Cash distribution from capital reserve	0	-38 264
Par value repayment	-52 178	-10 435
<b>Net cash flow from financing activities</b>	<b>-54 450</b>	<b>-50 968</b>
<b>Currency translation differences</b>	<b>1</b>	<b>1</b>
<b>Net change in cash and cash equivalents</b>	<b>1 393</b>	<b>-1 819</b>
Cash and cash equivalents at beginning of period	4 703	6 522
Cash and cash equivalents at end of period	6 096	4 703

<b>Statement of changes in equity (CHF 000)</b>	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
<b>Balance as at 31 March 2018</b>	<b>411 840</b>	<b>-10 048</b>	<b>185 318</b>	<b>570 786</b>	<b>1 157 896</b>
Comprehensive result				209 067	209 067
Distribution from capital reserve (29.6.2018)			-38 264		-38 264
Capital reduction (10.9.2018)	-4 680	9 646	-4 966		0
Par value repayment (21.9.2018)	-10 440		5		-10 435
<b>Balance as at 31 March 2019</b>	<b>396 720</b>	<b>-402</b>	<b>142 093</b>	<b>779 853</b>	<b>1 318 264</b>
Comprehensive result				182 698	182 698
Par value repayment (12.9.2019)	-52 200		22		-52 178
<b>Balance as at 31 March 2020</b>	<b>344 520</b>	<b>-402</b>	<b>142 115</b>	<b>962 551</b>	<b>1 448 784</b>

## General Statements

### 1. Information about the Company and its business

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

### 2. Accounting policies

The significant accounting policies adopted in the preparation of the Group Financial Statements are set out below. The Group Financial Statements comprise HBM Healthcare Investments Ltd and the non-consolidated investment in the HBM Healthcare Investments (Cayman) Ltd. subsidiary (Subsidiary).

#### 2.1 Basis of preparation – Group Financial Statements

The Group Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), and the provisions of the Listing Rules of SIX Swiss Exchange that apply to investment companies. They are considered Group Financial Statements according to the Swiss Code of Obligations (CO) and are presented in Swiss francs (CHF). These financial statements have been prepared as the only IFRS financial statements of HBM Healthcare Investments Ltd (Group Financial Statements). Unless indicated otherwise, the values are in thousands of CHF.

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

### 2.2 Changes in accounting policies

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

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

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

##### IFRS 16 "Leases" (1 January 2019)

The new IFRS 16 specifies recognition, measurement, presentation and disclosure of leases. Lessees are required to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors recognise leases as operating or finance leases.

##### IFRIC 23 "Uncertainty over income tax treatments" (1 January 2019)

IFRIC 23 clarifies uncertainties regarding the income tax treatment under IAS 12.

The Board of Directors evaluated the implications of the amended and newly introduced standards for the Company and its subsidiaries. The result shows that the aforementioned standards and interpretations have no impact on the accounting principles and overall financial positions.

#### 2.2.2 New standards and interpretations which have not yet been applied

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

- > IFRS 3 (1 January 2020) – Business Combinations: Definition of a Business
- > IFRS 9, IAS 39, IFRS 7 (1 January 2020) – Changes from the IBOR reform (Interbank Offered Rate)



The implications for HBM Healthcare's Group Financial Statements are currently still being reviewed. Based on a preliminary analysis, no significant impact is expected.

### 2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group Financial Statements requires Management to make estimates which affect reported earnings, expenditure, assets, liabilities and investment commitments as at the balance sheet date. If 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 will be adjusted accordingly during the reporting year in which circumstances have changed. A degree of uncertainty is attached specifically to estimating the fair value of the non-consolidated investment in the Subsidiary.

This affects mainly investments in private companies and funds. The fair value of investments that are not traded in an active market are determined by using appropriate methods in accordance with the valuation policies (note 2.7.2. "Investments"). The use of valuation techniques requires estimates made by the Management. Changes in assumptions could affect the disclosed fair value of these investments (note 8.6 "Valuation risks and fair values").

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

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

As it provides investment management services to the parent company, the wholly-owned HBM Healthcare Investments (Cayman) Ltd. subsidiary also qualifies as an investment entity under IFRS 10, despite the absence of some of the typical characteristics of an investment entity (such as more than one investor, and investors that are not related parties of the entity). It still fulfils the general definition laid down in the IFRS 10 standard, and must therefore be classified as such. As a result, the Subsidiary will no longer be consolidated, instead the investment will be carried at fair value through profit and loss.

### 2.5 Foreign currencies

The functional currency for the Company is the Swiss franc (CHF). Transactions in foreign currencies are booked at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted into Swiss francs at the exchange rates prevailing on the balance sheet date. The resulting foreign currency gains or losses are booked to the statement of comprehensive income. The Company does not hold any non-monetary assets acquired through transactions in a foreign currency (note 2.7).

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

Exchange rates (CHF)	31.3.2020	31.3.2019
CAD	0.6835	0.7455
CNY	0.1357	0.1483
DKK	0.1420	0.1495
EUR	1.0602	1.1164
GBP	1.1937	1.2972
HKD	0.1240	0.1268
INR	0.0127	0.0144
SEK	0.0970	0.1071
USD	0.9611	0.9952

## 2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments which can be converted to a known amount of cash within 90 days and are subject to insignificant change in value.

## 2.7 Investment in Subsidiary

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

### 2.7.1 Recognition of additions and disposals

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

Sales of investments and financial instruments are booked out at the anticipated sale proceeds on the date of sale. Claims to performance-related milestone payments, which result in cash flows only at a later date, are carried under "Other financial assets" (note 2.7.4).

### 2.7.2 Investments

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

The fair value of investments in **private companies** is determined using the "International Private Equity and Venture Capital Valuation Guidelines (IPEV)". For

this purpose, the acquisition cost in the investment currency is used as the best approximation of the fair value of the private company in question, except where

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

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

Investments in **funds** are valued based on the net asset value of the fund in question. For the calculation the latest (audited) net asset value of the fund has been used by adding capital calls to and subtracting distributions from the investment's capital account balance related to the latest (audited) annual report of the fund. Adjustments refer to the cash flows during the latest quarter up to the financial year-end of HBM Healthcare.

The fair values of private companies and funds are determined by Management and approved by the Board of Directors. Given the uncertainty inherent in valuing such investments in general, the reported fair values may differ from the values that might have been used had an active market existed for the investments. This difference may be material in the case of certain individual investments.

For investments in **public companies**, the fair value is determined by the market price on the balance sheet date. For investments in public companies that are subject to selling restrictions of more than 12 months, a "lock-up discount" will be applied, which is determined by using an option model.

The "Realised gains or losses on investments" disclosed in note 3.1 are calculated as the difference between the sale proceeds of an investment and the capital invested. Unrealised gains and losses recorded in previous years on investments that have been sold are eliminated and, together with the value adjustments on investment holdings for the current fiscal year, are reported under "Changes in unrealised gains and losses".

For IPOs of private companies that occur during the financial year, the carrying amount of the investments is reclassified from Level 3 to Level 1 at the beginning of the financial year (note 3.1 "Investments" and note 8.6 "Valuation risks and fair values").

A "provision for deferred tax on capital gain" (note 3.5) is made for any tax on capital gain that may arise on the sale of investments in individual countries.

### 2.7.3 Financial instruments

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

Derivative financial instruments are held for trading purposes and are reported at fair value through profit and loss. For listed derivatives, fair value equals market value, which is determined by the market closing price as at the balance sheet date. The fair value of unlisted derivatives is determined using customary market methods.

The "Net result from financial instruments" disclosed in note 3 is reported as "Gains and losses from currency hedging transactions", "Gains and losses from market hedging transactions" or as "Gains and losses from other financial instruments" in note 3.2.

### 2.7.4 Other financial assets

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

The "Net result from other financial assets" disclosed in note 3 includes changes in value (and currency effects) on contractual claims arising from the sale of portfolio companies, which are presented under "Other financial assets" (note 3.3), as well as foreign currency gains and losses on cash and cash equivalents.

### 2.8 Financial liabilities

Financial liabilities (with the exception of derivatives) are measured initially at their fair value net of transaction costs. They are subsequently carried at amortised cost using the effective interest method. Any discount, corresponding to the difference between the net proceeds received and the nominal value repayable upon maturity, is amortised over the term of the financial liability and charged to financial expenses.

## 2.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, a reliable estimate can be made of the amount of the obligation and its anticipated financial value exceeds the value of the asset encumbered with the obligation.

## 2.10 Treasury shares

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

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

## 2.11 Net asset value and earnings per share

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

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

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

## 2.12 Segment reporting

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

## Notes to the Balance Sheet and Statement of Income

### 3. Investment in Subsidiary

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

<b>Development fair value investment (CHF 000)</b>	<b>2019/2020</b>	<b>2018/2019</b>
<b>Fair value at the beginning of financial year</b>	<b>1 417 427</b>	<b>1 253 924</b>
Increase in value, gross	188 623	215 503
Dividend payment to parent company	-60 000	-52 000
<b>Fair value at the end of financial year</b>	<b>1 546 050</b>	<b>1 417 427</b>

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

<b>Composition net assets (CHF 000)</b>	<b>Notes</b>	<b>31.3.2020</b>	<b>31.3.2019</b>
Cash and cash equivalents		218 104	263 702
Receivables		181	525
Investments	(3.1)		
Private companies		550 403	409 571
Funds		155 992	132 574
Public companies		629 889	688 232
Shares of parent company		18 689	15 696
Financial instruments	(3.2)	4 799	259
Other financial assets	(3.3)	10 694	31 978
<b>Total assets</b>		<b>1 588 751</b>	<b>1 542 537</b>
Financial instruments	(3.2)	0	-92 224
Liability from performance fee	(3.4)	-24 686	-31 871
Provision for deferred tax on capital gain	(3.5)	-17 169	0
Other current liabilities		-846	-1 015
<b>Total net assets at fair value</b>		<b>1 546 050</b>	<b>1 417 427</b>



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

<b>Change in net assets at fair value (CHF 000)</b>	Notes	2019/2020	2018/2019
Net result on investments	(3.1)	201 115	253 320
Increase in provision for deferred tax on capital gain	(3.5)	-17 169	0
Dividend income		4 080	686
Net result from financial instruments	(3.2)	55 632	59
Net result from other financial assets		-11 120	9 357
Net result from shares of parent company		2 518	2 487
<b>Result from investing activities</b>		<b>235 056</b>	<b>265 909</b>
Management fee	(3.4)	-20 545	-17 322
Performance fee	(3.4)	-24 686	-31 871
Personnel and other operating expenses		-1 244	-1 282
Financial result		42	69
<b>Increase in value, gross</b>		<b>188 623</b>	<b>215 503</b>
Dividend payment to parent company		-60 000	-52 000
<b>Net change in value of investment</b>		<b>128 623</b>	<b>163 503</b>

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

### 3.1 Investments

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

<b>Development of investments (CHF 000)</b>	<b>Private companies</b>	<b>Funds</b>	<b>Public companies</b>	<b>Total investments</b>
<b>Fair value as at 31 March 2019</b>	<b>409 571</b>	<b>132 574</b>	<b>688 232</b>	<b>1 230 377</b>
Reclassification owing to IPO (Turning Point Therapeutics)	-9 952		9 952	0
Reclassification owing to IPO (SpringWorks Therapeutics)	-11 942		11 942	0
Reclassification owing to IPO (Galera Therapeutics)	-4 976		4 976	0
<b>Fair value as at 31 March 2019 (after reclassification)</b>	<b>382 701</b>	<b>132 574</b>	<b>715 102</b>	<b>1 230 377</b>
Purchases	77 309	18 308	423 649	519 266
Sales	-3 209	-4 147	-607 118	-614 474
Realised gains	178	414	211 348	211 940
Realised losses	-2 708	-2 433	-88 704	-93 845
Changes in unrealised gains/losses	96 132	11 276	-24 388	83 020
Net result on investments	93 602	9 257	98 256	201 115
<b>Fair value as at 31 March 2020</b>	<b>550 403</b>	<b>155 992</b>	<b>629 889</b>	<b>1 336 284</b>

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

Net result on investments comprised the following for the 2019/2020 financial year:

<b>Net result on investments (CHF 000)</b>	<b>Private companies</b>	<b>Funds</b>	<b>Public companies</b>	<b>Total</b>
Gains	122 219	17 687	250 212	390 118
Losses	-28 617	-8 430	-151 956	-189 003
<b>Total 2019/2020 financial year</b>	<b>93 602</b>	<b>9 257</b>	<b>98 256</b>	<b>201 115</b>

The net gains on investments of CHF 201.1 million (previous year: CHF 253.3 million) includes net currency losses of CHF 61.7 million (previous year: net currency gains of CHF 32.9 million).

Private companies	Domicile	Investment currency	Amount disbursed 31.3.2019	Changes in reporting period	Amount disbursed 31.3.2020	Fair value 31.3.2020	Ownership 31.3.2020	Fair value 31.3.2020	Fair value 31.3.2019
			IC million	IC million	IC million	IC million	%	CHF 000	CHF 000
Cathay Biotech <sup>1)</sup>	CN	CNY	212.6	69.3	281.9	1593.1	7.9	216 189	125 101
Harmony Biosciences	US	USD	30.0	6.4	36.4	65.2	7.9	62 618	32 452
Swixx BioPharma (Amicus)	CH	EUR	20.0	5.0	25.0	40.0	27.8	42 408	22 329
Neurelis	US	USD	17.8	1.0	18.8	38.7	14.6	37 198	37 522
SAI Life Sciences	IN	INR	449.0		449.0	1343.9	6.0	17 079	19 339
1mg	IN	INR	872.8		872.8	1321.4	8.9	16 793	20 899
Jianke Pharmaceutical	CN	USD	14.9		14.9	14.9	3.3	14 296	14 803
Westmed Holding	US	USD	7.0		7.0	12.4	25.2	11 950	12 374
FarmaLatam	PA	USD	8.9	2.5	11.4	11.4	69.9	10 930	8 830
Sphingotec	DE	EUR	4.5	4.5	9.0	9.0	14.2	9 541	5 029
iTeos Therapeutics	US	USD	1.8	6.1	7.9	8.9	3.8	8 558	1 801
Forbius (Formation Biologics)	CA	CAD	6.5	5.0	11.5	11.5	11.1	7 826	4 809
Galecto Biotech	US	USD	3.6	4.2	7.8	7.8	5.4	7 502	3 552
Valcare	US	USD	4.3		4.3	7.1	7.7	6 819	7 017
Arrakis Therapeutics	US	USD	0.0	7.0	7.0	7.0	4.8	6 728	0
Adrenomed	DE	EUR	0.3	5.7	6.0	6.0	6.1	6 452	381
Sublimity Therapeutics	IE	EUR	3.5	2.3	5.8	5.8	6.3	6 177	3 960
Shape Memory Medical	US	USD	6.0		6.0	6.0	17.1	5 767	5 971
Complexa	US	USD	4.0	1.0	5.0	5.0	5.3	4 806	3 933
ALX Oncology	US	USD	0.0	5.0	5.0	5.0	1.8	4 805	0
Cardialen	US	USD	5.0		5.0	5.0	17.8	4 805	4 976
Karius	US	USD	0.0	5.0	5.0	5.0	2.5	4 805	0
Corvidia Therapeutics	US	USD	4.0	0.8	4.8	4.8	3.0	4 640	3 981
Shriji Polymers	IN	INR	201.0		201.0	361.8	2.8	4 598	3 860
Vitaeris	CA	USD	3.0		3.0	4.0	18.7	3 844	3 981
Nuance Biotech	CN	USD	4.0		4.0	3.7	3.7	3 570	3 696
Vascular Dynamics	US	USD	11.3	1.2	12.5	3.1	13.1	3 001	9 657
Everest Medicines	CN	USD	3.0		3.0	3.0	0.5	2 883	2 986
MicroOptx	US	USD	0.0	3.0	3.0	3.0	8.3	2 883	0
Cure Everlife Holdings	MU	USD	3.0		3.0	2.7	7.8	2 606	2 986
Genalyte (BaseHealth)	US	USD	2.5		2.5	2.5	2.7	2 403	2 488
connectRN	US	USD	4.0	1.9	5.9	2.4	23.5	2 322	6 557
Others								3 601	7 431
<b>Total private companies</b>								<b>550 403</b>	<b>382 701</b>

1) During the period under review, the holding in Cathay Industrial Biotech, Cayman Islands was exchanged for a direct investment in Cathay Biotech, Shanghai. The fair value of the holding in Cathay Biotech is based on the last financing round in September

2019. A provision for deferred tax on capital gain has been made for any tax on capital gain that may arise on the sale of the investment (note 3.5).

Funds	Investment currency	Total commit- ment	Payments in reporting period	Repayments in reporting period	Cumulative payments 31.3.2020	Cumulative repayments 31.3.2020	Fair value 31.3.2020	Fair value 31.3.2020	Fair value 31.3.2019
			IC million	IC million	IC million	IC million	IC million	IC million	CHF 000
WuXi Healthcare Ventures II	USD	20.0	0.8	0.7	18.0	1.3	34.4	33 033	28 388
6 Dimensions Capital	USD	25.0	5.2	1.2	21.4	1.3	24.7	23 744	13 987
MedFocus Fund II	USD	26.0	10.0	10.0	26.0	25.0	22.8	21 934	18 740
HBM BioCapital II <sup>1)</sup>	EUR	42.0	1.4	0.6	42.6	9.8	18.0	19 032	23 009
HBM Genomics	USD	17.5	5.6		17.7	0.0	19.4	18 622	11 523
Tata Capital HBM Fund I	USD	10.0	0.2		9.6	4.7	9.3	8 936	8 177
Hatteras Venture Partners III	USD	10.0			10.0	2.0	6.5	6 201	5 853
BioMedInvest II	CHF	10.0			10.0	3.0	6.0	6 020	7 010
Galen Partners V	USD	10.0			10.4	8.8	6.2	5 937	4 865
C-Bridge Capital IV	USD	10.0	2.4	0.1	3.8	0.2	3.6	3 426	1 242
BioMedInvest I	CHF	26.0		0.8	26.0	26.4	3.4	3 354	5 092
BioVeda China IV	USD	5.0	1.1	0.3	2.4	0.3	1.9	1 819	1 260
Nordic Biotech	DKK	31.0			31.0	221.7	7.3	1 037	1 578
LYZZ Capital Fund II	USD	15.0	1.1		1.1	0.0	1.0	980	0
Tata Capital Healthcare Fund II	USD	20.0	0.8		0.8	0.0	0.6	583	0
Others								1 334	1 850
<b>Total funds</b>								<b>155 992</b>	<b>132 574</b>

1) The fair value of EUR 18.0 million takes into account the fund's cumulative management fees of EUR 5.7 million. This amount has

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

Public companies	Investment currency	Balance	Changes in	Balance	Share price 31.3.2020	Ownership 31.3.2020	Fair value	Fair value
		31.3.2019	reporting period	31.3.2020			31.3.2020	31.3.2019
	IC	Number of shares	Number of shares	Number of shares	IC	%	CHF 000	CHF 000
Y-mAbs Therapeutics <sup>P)</sup>	USD	2 858 555	57 248	2 915 803	26.10	7.3	73 142	74 563
Viela Bio <sup>1)P)</sup>	USD	0	1 750 000	1 750 000	38.00	3.4	63 913	0
Arcutis <sup>1)P)</sup>	USD	0	1 294 160	1 294 160	29.80	3.4	37 066	0
SpringWorks Therapeutics <sup>1)P)</sup>	USD	1 263 846	64 082	1 327 928	27.00	3.1	34 459	11 942
Pacira Pharmaceuticals <sup>P)</sup>	USD	950 262	0	950 262	33.53	2.3	30 623	35 993
Zogenix	USD	513 219	443 638	956 857	24.73	1.7	22 743	28 097
Biohaven Pharmaceuticals	USD	0	627 628	627 628	34.03	1.1	20 527	0
Immunomedics	USD	1 311 490	247 199	1 558 689	13.48	0.7	20 194	25 073
Argenx	EUR	186 000	-36 000	150 000	123.00	0.4	19 560	22 842
Argenx (ADR)	USD	184 000	-34 000	150 000	131.73	0.4	18 991	22 860
uniQure	USD	176 822	223 178	400 000	47.45	0.9	18 242	10 497
Retrophin	USD	587 149	387 065	974 214	14.59	2.3	13 661	13 223
Zymeworks	USD	0	400 000	400 000	35.47	0.9	13 636	0
ChemoCentryx	USD	0	345 144	345 144	40.18	0.6	13 328	0
Turning Point Therapeutics <sup>1)P)</sup>	USD	853 510	-545 010	308 500	44.66	0.9	13 242	9 952
Principia Biopharma <sup>P)</sup>	USD	833 923	-603 869	230 054	59.38	0.7	13 129	28 217
Esperion Therapeutics	USD	571 257	-171 257	400 000	31.53	1.5	12 121	22 826
Rocket Pharmaceuticals	USD	0	784 438	784 438	13.95	1.5	10 517	0
Zealand Pharma	DKK	0	300 000	300 000	233.60	0.8	9 952	0
Iovance Biotherapeutics	USD	0	326 780	326 780	29.94	0.3	9 402	0
Cansino Biologics	HKD	0	600 000	600 000	125.00	0.5	9 300	0
Xenon Pharmaceuticals	USD	521 789	327 500	849 289	11.34	2.4	9 256	5 276
Nicox	EUR	1 673 304	710 504	2 383 808	3.56	7.1	8 997	10 527
Intercept Pharmaceuticals	USD	0	142 396	142 396	62.96	0.4	8 617	0
Apellis Pharmaceuticals	USD	0	300 000	300 000	26.79	0.4	7 724	0
Akebia Therapeutics	USD	0	1 008 260	1 008 260	7.58	0.8	7 345	0
Alexion Pharmaceuticals	USD	0	82 930	82 930	89.79	0.0	7 157	0
Albireo Pharma	USD	319 800	101 628	421 428	16.37	2.8	6 630	10 251
Beigene	HKD	700 000	0	700 000	76.35	0.1	6 627	6 851
Mirati Therapeutics	USD	5 500	73 800	79 300	76.87	0.2	5 859	401
Divis Laboratories	INR	472 300	-251 035	221 265	1 989.05	0.1	5 593	11 575
Cytokinetics	USD	0	414 501	414 501	11.79	0.7	4 697	0
Bicycle Therapeutics (ADR)	USD	0	357 143	357 143	13.65	2.0	4 685	0
Assembly Biosciences	USD	290 727	0	290 727	14.83	0.9	4 144	5 697
Galera Therapeutics <sup>1)P)</sup>	USD	446 557	0	446 557	9.50	1.8	4 077	4 976
Trillium Therapeutics	USD	0	1 000 000	1 000 000	4.04	1.4	3 883	0
BeyondSpring	USD	0	287 020	287 020	12.81	1.0	3 534	0
Guangzhou Baiyunshan Pharmaceutical	HKD	0	1 349 000	1 349 000	20.90	0.6	3 496	0
Cantargia	SEK	0	2 300 000	2 300 000	15.50	2.5	3 459	0
Solara Active	INR	611 806	0	611 806	444.55	2.4	3 456	3 684
Jubilant Life Sciences	INR	608 006	394 257	1 002 263	249.20	0.6	3 174	5 816
Others							39 731	343 963
<b>Total public companies</b>							<b>629 889</b>	<b>715 102</b>
<b>Total investments</b>							<b>1 336 284</b>	<b>1 230 377</b>

P) The position originates from the private companies portfolio.

1) The companies went public on NASDAQ in the current reporting period. The investments were listed under private companies in previous reports with the exception of Viela Bio and Arcutis.

The following tables show the gains and losses (realised and unrealised) on single investments for the 2019/2020 and 2018/2019 financial years. Investments are listed separately only if the change in value in terms of the investment currency results

<b>Gains on investments</b>		2019/2020	
(realised and unrealised per company) <sup>1)</sup>			
	IC	IC million	CHF 000
<b>Private companies</b>			
Cathay Biotech <sup>2)</sup>	CNY	299.0	81 097
Harmony Biosciences	USD	26.2	23 963
Swixx BioPharma (Amicus)	EUR	15.0	14 733
Others			2 426
<b>Total private companies</b>			<b>122 219</b>
<b>Funds</b>			
6 Dimensions Capital	USD	6.6	5 907
WuXi Healthcare Ventures II	USD	5.7	4 512
MedFocus Fund II	USD	4.0	3 193
Others			4 075
<b>Total funds</b>			<b>17 687</b>
<b>Public companies</b>			
Viela Bio	USD	37.0	34 573
Turning Point Therapeutics	USD	34.6	33 822
Arcutis	USD	27.6	26 243
XBiotech	USD	25.4	24 392
SpringWorks Therapeutics	USD	23.1	21 873
RA Pharmaceuticals	USD	16.9	16 757
Galapagos	EUR	14.8	15 131
Acadia Pharmaceuticals	USD	9.8	9 649
Principia Biopharma	USD	9.5	8 743
Coherus Biosciences	USD	6.8	6 597
Iovance Biotherapeutics	USD	5.8	5 603
Cansino Biologics	HKD	45.6	5 595
Arrowhead Pharma	USD	5.7	5 585
Idorsia	CHF	4.2	4 215
Vectura Group	GBP	3.6	4 139
Zealand Pharma	DKK	25.9	3 483
Forty Seven	USD	3.3	3 107
Others			20 705
<b>Total public companies</b>			<b>250 212</b>
<b>Total gains on investments</b>			<b>390 118</b>

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

2) Taking into account the increase in the provision for deferred tax on capital gain, the net profit of the position amounts to CHF 63.9 million.

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

<b>Gains on investments</b>		2018/2019	
(realised and unrealised per company) <sup>1)</sup>			
	IC	IC million	CHF 000
<b>Private companies</b>			
Cathay Industrial Biotech	USD	34.2	37 809
Neurelis	USD	20.0	20 160
SAI Life Sciences	INR	739.8	10 566
1mg	INR	579.6	8 452
Others			10 288
<b>Total private companies</b>			<b>87 275</b>
<b>Funds</b>			
WuXi Healthcare Ventures II	USD	10.7	11 279
Others			5 114
<b>Total funds</b>			<b>16 393</b>
<b>Public companies</b>			
Y-mAbs Therapeutics	USD	48.5	49 636
ARMO BioSciences	USD	20.0	22 284
Ultragenyx Pharmaceutical	USD	19.3	19 962
Principia Biopharma	USD	19.7	19 786
Bioarctic	SEK	151.6	16 727
RA Pharmaceuticals	USD	16.1	16 206
Immunomedics	USD	10.7	11 460
Pacira Pharmaceuticals	USD	9.2	10 646
Argenx (ADR)	USD	9.2	10 039
Argenx	EUR	9.0	9 271
AveXis	USD	8.8	8 480
Tesaro	USD	8.0	8 471
Zogenix	USD	7.4	8 060
Amarin	USD	8.3	7 983
uniQure	USD	6.7	6 678
Galapagos	EUR	6.9	6 218
Regenxbio	USD	5.3	5 807
Neurocrine Biosciences	USD	4.9	5 503
Inflax	USD	5.6	5 493
Divis Laboratories	INR	341.1	4 611
Eagle Pharmaceuticals	USD	3.9	4 515
Acadia Pharmaceuticals	USD	3.2	3 782
Homology Medicines	USD	2.5	3 115
Others			20 745
<b>Total public companies</b>			<b>285 478</b>
<b>Total gains on investments</b>			<b>389 146</b>



<b>Losses on investments</b>		2019/2020	
(realised and unrealised per company) <sup>1)</sup>			
	IC	IC million	CHF 000
<b>Private companies</b>			
Vascular Dynamics	USD	7.8	7 843
connectRN	USD	6.1	6 122
Others			14 652
<b>Total private companies</b>			<b>28 617</b>
<b>Funds</b>			
HBM BioCapital II	EUR	3.5	4 874
Others			3 556
<b>Total funds</b>			<b>8 430</b>
<b>Public companies</b>			
Zogenix	USD	19.9	20 352
ObsEva (ADS)	USD	11.9	11 949
Biohaven Pharmaceutical	USD	8.4	9 011
Immunomedics	USD	8.1	8 717
Spring Bank Pharmaceuticals	USD	6.9	6 894
Albireo Pharma	USD	6.0	6 224
Pacira Biosciences	USD	4.3	5 371
Jubilant Life Sciences	INR	325.1	5 000
Nicox	EUR	3.9	4 752
Intercept Pharmaceuticals	USD	4.2	4 667
Hansa Medical	SEK	40.0	4 514
Rocket Pharmaceuticals	USD	4.2	4 422
uniQure	USD	3.5	3 991
Amicus Therapeutics	USD	3.6	3 795
Ultragenyx Pharmaceutical	USD	3.3	3 773
Retrophin	USD	3.2	3 689
Alimera Sciences	USD	3.1	3 131
Others			41 704
<b>Total public companies</b>			<b>151 956</b>
<b>Total losses on investments</b>			<b>189 003</b>

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

<b>Losses on investments</b>		2018/2019	
(realised and unrealised per company) <sup>1)</sup>			
	IC	IC million	CHF 000
<b>Private companies</b>			
Others			6 786
<b>Total private companies</b>			<b>6 786</b>
<b>Funds</b>			
HBM BioCapital II	EUR	4.0	5 985
Others			6 697
<b>Total funds</b>			<b>12 682</b>
<b>Public companies</b>			
Esperion Therapeutics	USD	13.2	12 119
Puma Biotechnology	USD	8.5	8 017
Nicox	EUR	5.7	7 317
Genmab	DKK	35.4	6 192
Clovis	USD	6.4	5 835
Paratek Pharmaceuticals	USD	6.0	5 471
Nabriva	USD	6.0	5 467
AnaptysBio	USD	6.3	5 381
Assembly Biosciences	USD	5.6	5 365
Probiodrug	EUR	3.5	4 096
Dynavax	USD	4.0	3 920
Celgene	USD	4.5	3 538
Idorsia	CHF	3.4	3 448
Others			40 192
<b>Total public companies</b>			<b>116 358</b>
<b>Total losses on investments</b>			<b>135 826</b>

### 3.2 Financial instruments

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

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

<b>Holdings of financial instruments</b> (CHF 000)	31.3.2020	31.3.2019
<b>Currency hedging</b>		
Forward contracts for currency hedging purposes	4 325	0
<b>Other financial instruments</b>		
Purchased call and put options	474	259
<b>Total financial instruments long</b>	<b>4 799</b>	<b>259</b>
<b>Market hedging</b>		
Sale of ETFs	0	92 224
<b>Total financial instruments short</b>	<b>0</b>	<b>92 224</b>

As at the balance sheet date, the foreign currency risk derived from the USD/CHF exchange rate was partially hedged by means of a forward sale of USD 600.0 million. The market value of this hedging position amounted to CHF 4.3 million as at the balance sheet date.

As at the balance sheet date, no further market hedge was in place. The partial hedge of the general

market risk derived from public investments (short sale of SPDR S&P Biotech ETF) had been closed during the reporting period due to market development.

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

<b>Income from financial instruments</b> (CHF 000)	2019/2020	2018/2019
Gains from currency hedging transactions	4 325	0
Gains from market hedging transactions	43 455	0
Gains from other financial instruments	8 402	2 513
<b>Total gains from financial instruments</b>	<b>56 182</b>	<b>2 513</b>
Losses from market hedging transactions	0	-81
Losses from other financial instruments	-550	-2 373
<b>Total losses from financial instruments</b>	<b>-550</b>	<b>-2 454</b>
<b>Net result from financial instruments</b>	<b>55 632</b>	<b>59</b>

### 3.3 Other financial assets

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

discounted over time at a discount rate of 11.0 percent (previous year: 11.0 percent). The valuation measures applied refer to commonly used industry statistics as well as own guidelines and estimates.

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

Claims to purchase price payments (CHF 000)	from investments held directly	from investments held indirectly via HBM BioCapital I	Total
<b>Amount as at 31 March 2019</b>	<b>31 978</b>	<b>3 245</b>	<b>35 223</b>
Addition	0	0	0
Payments received/distribution in shares	-33 234	-2 922	-36 156
Realised and unrealised gains/losses	11 950	1 031	12 981
<b>Amount as at 31 March 2020</b>	<b>10 694</b>	<b>1 354</b>	<b>12 048</b>

Of the total book value as at 31 March 2020, CHF 10.7 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 1.3 million are reported under "Investments - Other private companies" (claims from investments held indirectly via HBM BioCapital I).

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

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

Balance sheet value and potential cash flows (CHF million)	Book value as at 31.3.2020	Cash flows minimum	Cash flows maximum	Expected period of payment
True North Therapeutics	5.1	0.0	10.8	2020 – 2021
TandemLife (Cardiac Assist)	3.7	4.5	8.0	2020 – 2021
Nereus <sup>1)</sup>	3.2	0.0	21.4	2020 – 2025
Tripex (former Mpex) <sup>2)</sup>	0.0	0.0	8.5	from 2020 onwards
<b>Total</b>	<b>12.0</b>	<b>4.5</b>	<b>48.7</b>	

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

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

### 3.4 Management fee and performance fee

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

In the 2019/2020 financial year, the management fee and the performance fee were as follows:

<b>Management fee (CHF 000)</b>	<b>2019/2020</b>	<b>2018/2019</b>
Management fee to HBM Partners	20 545	17 322
<b>Total management fee</b>	<b>20 545</b>	<b>17 322</b>

<b>Performance fee (CHF 000)</b>	<b>2019/2020</b>	<b>2018/2019</b>
Full amount of performance fee	26 262	33 905
Share variable compensation to Board of Directors	-1 576	-2 034
<b>Total performance fee</b>	<b>24 686</b>	<b>31 871</b>

#### 3.4.1 Management fee

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

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

Regarding the investments made by the Subsidiary in HBM BioCapital I and II, it has been agreed with the Investment Advisor since the beginning that

HBM Healthcare's share of the management and performance fees (carried interest) charged by HBM BioCapital I and II will be reimbursed in full so that fees are not levied twice.

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

#### 3.4.2 Performance fee

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

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

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

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

The calculation basis for the performance fee is the net asset value per share before provision is made for the performance fee and amounted to CHF 212.03 exceeding the high water mark of CHF 186.86 per share for the 2019/2020 financial year. After deducting the variable compensation to the Board of Directors, a performance fee of CHF 24.7 million is due to the Investment Advisor. With the beginning of the 2020/2021 financial year, the high water mark for all outstanding shares stands at CHF 212.03 (adjusted for any future dividend payments or capital repayments made to shareholders).

### 3.5 Provision for deferred tax on capital gain

During the period under review, the holding in Cathay Industrial Biotech, Cayman Islands was exchanged for a direct investment in Cathay Biotech, Shanghai. The tax on capital gain owed in China at the time of the exchange was paid by Cathay Industrial Biotech. The fair value of the holding in Cathay Biotech is based on the last financing round in September 2019. A provision for deferred tax on capital gain in the amount of CHF 17.2 million has been made for any tax on capital gain that may arise on the sale of the investment (note 3.5). The tax is calculated on the difference between the relevant tax base and the disclosed fair value. In previous periods the provision for deferred tax on capital gain had been directly reflected in the fair value of the investment in Cathay Industrial Biotech.

### 3.6 Off-balance-sheet commitments

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

Investment commitments (CHF 000)	31.3.2020	31.3.2019
HBM BioCapital I+II	249	1 182
Other funds	46 327	37 412
Private companies	19 782	52 445
<b>Total investment commitments</b>	<b>66 358</b>	<b>91 039</b>

## 4. Non-current financial liabilities

The following non-current financial liabilities were outstanding as at the balance sheet date: two straight bond tranches with a par value of CHF 50 million each, coupons of 2.0 and 2.5 percent and

maturing on 10 July 2021 and 10 July 2023 respectively; to be redeemed at 100 percent of par value.

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

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

The interest paid in relation with the two straight bond tranches amounts to CHF 2.3 million (previous year: CHF 2.3 million), the effective interest expense totalling CHF 2.4 million (previous year: CHF 2.4 million).

The fair value of the two straight bond tranches amounts to CHF 100.7 million (previous year: CHF 102.7 million) with a carrying amount of CHF 99.6 million (previous year: CHF 99.4 million).

## 5. Shareholders' equity

### 5.1 Share capital and capital reserve

As at the balance sheet date, the Company's share capital stood at CHF 344.52 million (previous year: CHF 396.72 million), divided into 6 960 000 registered shares (previous year: 6 960 000) at a par value of CHF 49.50 each (previous year: CHF 57.00).

The Shareholders' Meeting of 24 June 2019 approved a cash distribution of CHF 7.50 per share by means of a withholding tax-exempt par value repayment. The cash payment to Shareholders was made on 12 September 2019 after the expiration of the legal deadlines.



## 5.2 Treasury shares

The Ordinary Shareholders' Meeting of 24 June 2019 authorised the Board of Directors to repurchase a maximum of 696 000 of the Company's own shares via a second trading line. The aim of this share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 27 June 2022 ("2019 share buy-back programme").

The Company holds 2 910 of its own shares (previous year: 2 910) as at the balance sheet date of 31 March 2020. During the 2019/2020 financial year, none of the Company's own shares were acquired (previous year: none).

<b>Holdings from second trading line</b> (Number of own shares)	2019/2020	2018/2019
<b>Beginning of financial year</b>	<b>2 910</b>	<b>82 910</b>
Acquired via second trading line under share buy-back programme	0	0
Capital reduction owing to cancellation of own shares	0	-80 000
<b>End of financial year</b>	<b>2 910</b>	<b>2 910</b>

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd. holds 98 363 treasury shares (previous year: 92 980), acquired via the regular trading line. During the 2019/2020 financial year, the Subsidiary acquired a total of 278 659 treasury shares via the regular trading line at an average price of CHF 191.29 per share (previous year: 296 389 at CHF 162.99) and sold 273 276 treasury shares at an average price of CHF 191.96 per share (previous year: 254 820 at CHF 165.69).

## 5.3 Significant shareholders

Based on information received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2020.

## Shareholding

15–20 %	Nogra Pharma Invest S.à.r.l., Luxemburg
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Mario G. Giuliani, who serves as member of the Board of Directors of HBM Healthcare Investments Ltd owns shares of Nogra Pharma Invest S.à.r.l., Luxemburg, together with Giammaria Giuliani.

## 6. Personnel expenses

Personnel expenses were composed as follows during the reporting year:

<b>Personnel expenses</b> (CHF 000)	2019/2020	2018/2019
Fixed compensation to Board of Directors	405	396
Variable compensation to Board of Directors	1 576	2 034
Wages and salaries	296	296
Social insurance contributions and duties	98	113
Other personnel expenses	193	84
<b>Total personnel expenses</b>	<b>2 568</b>	<b>2 923</b>

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

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

## 7. Taxes

HBM Healthcare does not capitalise deferred tax assets relating to the Company's loss carry-forwards because it is unlikely, given the tax status of the Company and its subsidiary on the Cayman Islands, that any loss carry-forwards could be used in the near future. The Company had no deductible loss carry-forwards as at 31 March 2020 (previous year: none)

## Other Disclosures

Information provided in this note incorporates information on risks, to which the Company is exposed either directly or through its non-consolidated investment in the HBM Healthcare Investments (Cayman) Ltd. subsidiary.

### 8. Financial risk management

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

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

#### 8.1 Risk of limited market liquidity

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

#### 8.2 Market risks

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

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

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

The healthcare sector as a whole depends on society's ability and willingness to pay for drugs, treatments and innovations that help to address health issues. If certain countries, specifically the United States of America as the largest market worldwide for drug and medical technology products, were to increase or reduce spending on such treatment options materially, HBM Healthcare's portfolio companies might be impacted significantly. Political developments in countries in which the operations of some portfolio companies are located,

such as China or India, might affect the ability of the companies in question to execute their business plans and attain their growth targets.

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

### 8.3 Liquidity risks

The Investment Guidelines oblige HBM Healthcare to maintain an appropriate level of short-term funds in order to participate in follow-on financing for portfolio companies and to ensure that the Company is able to meet all of its liabilities and investment commitments. When determining the necessary level of liquidity, the most important factors are (1) the

expected due dates of HBM Healthcare's investment commitments, (2) due dates for the repayment of borrowed capital under compliance with bond terms and/or the possibility of refinancing, (3) expected payment dates of other contractual obligations, (4) expected follow-on financing rounds at private portfolio companies, including their anticipated timing, (5) the trading liquidity of public portfolio companies, (6) expected cash flows from the sale of private portfolio companies and (7) the extent of share buy-backs and cash distributions to shareholders.

The following table analyses the liabilities and off-balance-sheet investment commitments of HBM Healthcare and its Subsidiary 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 as at balance sheet date <sup>1)</sup>	Total contractual cash flows	Due within 3 months	Due within 3–12 months	Due within 12–24 months	Due within >24 months
<b>Balance sheet liabilities</b>						
Other current liabilities	29.4	29.4	27.8	1.6	0.0	0.0
Non-current liabilities	99.6	107.1	0.0	2.3	52.3	52.5
<b>Total liabilities as at 31 March 2020</b>	<b>129.0</b>	<b>136.5</b>	<b>27.8</b>	<b>3.9</b>	<b>52.3</b>	<b>52.5</b>
Total liabilities as at 31 March 2019	228.9	238.9	35.7	96.1	2.3	104.8
<b>Off-balance-sheet investment commitments<sup>2)</sup></b>						
Expected drawdowns HBM BioCapital I+II	0.3	0.3	0.0	0.3	0.0	0.0
Expected drawdowns other funds	46.3	46.3	3.5	11.5	15.0	16.3
Expected maturities investment commitments to private companies	19.8	19.8	4.3	15.5	0.0	0.0
<b>Total investment commitments as at 31 March 2020</b>	<b>66.4</b>	<b>66.4</b>	<b>7.8</b>	<b>27.3</b>	<b>15.0</b>	<b>16.3</b>
Total investment commitments as at 31 March 2019	91.0	91.0	34.5	34.1	12.4	10.0

1) Positions held by parent company and Subsidiary.

2) Due dates are estimates.

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

public investments, at the corresponding levels of added value. HBM Healthcare manages its liquidity by means of comprehensive liquidity planning.

#### 8.4 Foreign currency risks

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

As at the balance sheet date, 56 percent (net of hedge) of HBM Healthcare's total assets were subject to foreign currency risks (previous year: 95 percent).

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

31 March 2020 <sup>1)</sup> (CHF million)	Fair value	Foreign exchange rates	
		+10%	-10%
Net assets in USD	411.9	41.2	-41.2
Net assets in CNY	216.2	21.6	-21.6
Net assets in EUR	138.1	13.8	-13.8
Net assets in INR	57.6	5.8	-5.8
Net assets held in other foreign currencies	54.3	5.4	-5.4
<b>31 March 2019 (CHF million)</b>			
Net assets in USD	1056.9	105.7	-105.7
Net assets in CNY	0.0	0.0	0.0
Net assets in EUR	153.6	15.4	-15.4
Net assets in INR	70.0	7.0	-7.0
Net assets held in other foreign currencies	67.0	6.7	-6.7

1) Effect on annual result is based on the assumption of a currency hedge of USD 600 million against the Swiss franc.

#### 8.5 Interest rate risks

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

#### 8.6 Valuation risks and fair values

Given the uncertainties inherent in valuing private companies, the net asset value (NAV) reported by HBM Healthcare may differ temporarily from the actual fair value of individual investments. As a result of valuation differences owing to the unavailability of information, the estimated values of individual investments may diverge significantly from values that would have been calculated had an active market for such securities existed. Furthermore, the estimated values of individual investments as at a certain balance sheet date may differ significantly from the values which could potentially be realised by means of an exit, an IPO or another event with a participating third-party (i.e. financing round) at any later point in time. Such differences might have a material effect on the valuation of individual investments in the Group Financial Statements of HBM Healthcare.

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

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

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

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

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

	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobser- vable inputs"	Total
<b>Assets and liabilities at fair value as at 31 March 2020</b> (CHF million)				
<b>Investments</b>				
Private companies			550.4	550.4
Funds			156.0	156.0
Public companies	629.9			629.9
Shares of parent company <sup>1)</sup>	18.7			18.7
Financial instruments		4.8		4.8
Other financial assets			10.7	10.7
<b>Total assets at fair value</b>	<b>648.6</b>	<b>4.8</b>	<b>717.1</b>	<b>1370.5</b>

	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobser- vable inputs"	Total
<b>Assets and liabilities at fair value as at 31 March 2019</b> (CHF million)				
<b>Investments</b>				
Private companies			409.6	409.6
Funds			132.6	132.6
Public companies	688.2			688.2
Shares of parent company <sup>1)</sup>	15.7			15.7
Financial instruments		0.3		0.3
Other financial assets			32.0	32.0
<b>Total assets at fair value</b>	<b>703.9</b>	<b>0.3</b>	<b>574.2</b>	<b>1278.4</b>
Financial instruments	92.2			92.2
<b>Total liabilities at fair value</b>	<b>92.2</b>	<b>0.0</b>	<b>0.0</b>	<b>92.2</b>

1) Held by Subsidiary.

The IPOs of Turning Point Therapeutics, SpringWorks Therapeutics and Galera Therapeutics resulted in assets amounting to CHF 26.9 million being reclassified from level 3 to level 1 during the 2019/2020 financial year.

As at 31 March 2020, there were no liabilities that were carried at fair value.

### 8.7 Credit risks

Credit risks with regard to all HBM Healthcare assets relate to the risk that a debtor may become unable to meet its liabilities. In order to minimise this risk, HBM Healthcare holds cash and cash equivalents, listed securities, foreign exchange and derivatives only with top-rated financial institutions. In addition, risks are diversified across a number of different counterparties. Credit risks mainly relate to cash and cash equivalents and contractual claims on the sale proceeds of portfolio companies disclosed in note 2.7.4 "Other financial assets" and amount to CHF 236.2 million (previous year: CHF 303.6 million). As at the balance sheet date, there were no receivables overdue, and there were no recorded losses on receivables during the 2019/2020 financial year.

### 8.8 Capital management

The Company manages its shareholders' equity within the limits of the law and in accordance with its investment strategy and its liquidity planning.

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

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

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

### 8.9. Impact of COVID-19

From the end of 2019, COVID-19 has spread across the world. The future consequences of the pandemic, which may affect the development of the financial markets and the healthcare industry, the portfolio companies and the Company itself, are unknown to date. The Board of Directors of the Company is monitoring the situation and the potential impact on the Company very closely. The Company is in a position to continue its usual operations in accordance with its investment policy.

The pandemic may result in delays in clinical trials, drug approval processes and market launches, as extensive containment measures are being implemented worldwide to stop the spread of the virus. This may result in higher capital needs of portfolio companies and delays in the closing of financing rounds. As investors may pursue a lower-risk



strategy, access to capital may be temporarily more difficult, which could have an impact on the valuation of the companies.

## 9. Transactions with related parties

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

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

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

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

The six members of the Board of Directors received fixed directors' remuneration totalling CHF 249 000 for the 2019/2020 financial year (previous year:

CHF 249 000). In addition, the Board of Directors received meeting fees totalling CHF 76 000 (previous year: CHF 67 000). For their Committee activities, the two members of the Audit Committee and the two members of the Compensation Committee received fees totalling CHF 80 000 (previous year: CHF 80 000). The Board of Directors' performance fee for the 2019/2020 financial year totalled CHF 1 575 600 (previous year: CHF 2 034 000). The social security contributions and duties paid by the Company on these fees came to a total of CHF 74 350 (previous year: CHF 88 539).

During the reporting period, the members of Management, who are also employed by HBM Partners, received 40 percent (previous year: 40 percent) of their total fixed fee paid out from HBM Healthcare. For the 2019/2020 reporting year, these payments totalled CHF 319 259 (previous year: CHF 319 147), including social security contributions. No performance fee was paid to the members of Management (previous year: none).

The two members of Management are also in a relationship of employment with the Investment Advisor. They participate as minority shareholders in the Investment Advisor.

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

### 9.2 Investment holdings

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

## 10. Events after the balance sheet date

The Board of Directors of the Company approved these Group Financial Statements on 7 May 2020. No events occurred between the balance sheet date and the date of approval of these Group Financial Statements that impact on the informational value of the latter.

To the General Meeting of  
HBM Healthcare Investments Ltd, Zug

Zurich, 7 May 2020

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



### Opinion

We have audited the group financial statements of HBM Healthcare Investments Ltd (the Company), which comprise the statement of financial position as at 31 March 2020 and the statement of income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the group financial statements (pages 59 to 83) give a true and fair view of the financial position of the Company as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



### Basis for opinion

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

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

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



### Key audit matters

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

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

## Valuation of the investment in the subsidiary

<p><b>Risk</b></p>	<p>Owing to the uncertainty over measuring investments in private, non-listed companies and venture capital funds, the estimated fair value calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEV Guidelines”) can differ from the values that would have been used, had an active market for these investments existed.</p> <p>All assets are classified as financial assets at fair value through profit or loss. This also includes assumptions used in valuations due to financing rounds, when recognizing impairments in stages and for valuation due to valuation models. The Company also applies a measurement policy that is based on estimated likelihoods of the occurrence of future milestone payments and risk-adjusted discount rates in order to estimate the fair values. Determining such inputs requires estimates to be made by the management and the investment advisor and could lead to values that may differ from those calculated using other acceptable accounting policies. These risks could have an effect on the fair value of the investment in the subsidiary HBM Healthcare Investments (Cayman) Ltd. and the assets held by this company. The valuation principles are disclosed under “Investments” (note 2.7.2) and details on the assets and profits recognized can be found under “Investment in Subsidiary” (note 3) and “Investments” (note 3.1).</p>
<p><b>Our audit response</b></p>	<p>We performed audit procedures on the fair value of the equity investments held by the subsidiary. These included the following:</p> <p>We obtained an understanding of the Company’s process in respect of investments in private companies and their measurement in the annual financial statements.</p> <p>Furthermore, we audited the estimates and assumptions made by the management for significant investments based on interviews and the documentation that serves as the basis for the estimate (monitoring sheets), in particular in respect of the development of significant venture capital.</p> <p>We compared the value adjustments due to financing rounds with the underlying documents, such as share purchase agreements. We compared impairments recorded due to indications of a deterioration with the corresponding documents, e.g., available annual financial statements, budgets and monitoring sheets. In instances where increases in value were recorded due to higher revenue or profit, we compared, with the involvement of specialists, these results with the annual financial statements and calculated the increases in value based on the measurement policies used.</p> <p>In addition, we performed audit procedures for the milestone payments that the Company received during the period.</p> <p>Our audit did not lead to any reservations relating to the valuation of the investment in the subsidiary.</p>



### **Other information in the annual report**

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

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

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



### **Responsibility of the Board of Directors for the group financial statements**

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

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



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

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

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



### Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd



Jürg Zürcher  
Licensed audit expert  
(Auditor in charge)



Roman Ottiger  
Licensed audit expert

<b>Balance sheet</b> (CHF 000)	Notes	31.3.2020	31.3.2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6 096	4 703
Receivables		27	26
<b>Total current assets</b>		<b>6 123</b>	<b>4 729</b>
<b>Non-current assets</b>			
Investment in subsidiary		846 000	846 000
<b>Total non-current assets</b>		<b>846 000</b>	<b>846 000</b>
<b>Total assets</b>		<b>852 123</b>	<b>850 729</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Liability from performance fee		1 576	2 034
Other liabilities		2 248	2 457
<b>Total current liabilities</b>		<b>3 824</b>	<b>4 491</b>
<b>Non-current liabilities</b>			
Financial liabilities		100 000	100 000
<b>Total non-current liabilities</b>		<b>100 000</b>	<b>100 000</b>
<b>Shareholders' equity</b>			
Share capital		344 520	396 720
Treasury shares	(2.4)	-402	-402
Legal capital reserve			
Reserve from capital brought in		331	331
Legal retained earnings			
General legal reserve		85 410	85 410
Reserve for treasury shares <sup>1)</sup>	(2.4)	18 468	15 342
Voluntary retained earnings			
Free reserve		63 633	66 737
Retained earnings		236 339	182 100
<b>Total shareholders' equity</b>		<b>748 299</b>	<b>746 238</b>
<b>Total liabilities and shareholders' equity</b>		<b>852 123</b>	<b>850 729</b>

1) For treasury shares held by Subsidiary.

<b>Statement of income for the financial year ended 31 March</b> (CHF 000)	2019/2020	2018/2019
<b>Income</b>		
Financial income	1	1
Income from participations	60 000	52 000
<b>Total income</b>	<b>60 001</b>	<b>52 001</b>
<b>Expenses</b>		
Financial expenses	2 271	2 270
Personnel expenses	2 568	2 923
Administration expenses	884	996
Direct taxes	39	83
<b>Total expenses</b>	<b>5 762</b>	<b>6 272</b>
<b>Net result for the year</b>	<b>54 239</b>	<b>45 729</b>



<b>Statement of changes in equity</b> (CHF 000)	Number of shares	Share capital	Treasury shares	Reserve from capital brought in	General legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
<b>Balance as at 31 March 2017</b>	<b>7 300 000</b>	<b>427 050</b>	<b>-23 563</b>	<b>79 378</b>	<b>85 410</b>	<b>8 125</b>	<b>90 176</b>	<b>81 423</b>	<b>747 999</b>
Purchase of own shares			-12 956						-12 956
Distribution from capital reserve (30.6.2017)				-40 783					-40 783
Capital reduction (14.9.2017)	-260 000	-15 210	26 471				-11 261		0
Increase in reserve for treasury shares <sup>1)</sup>						-1 146	1 146		0
Net result for the year								54 948	54 948
<b>Balance as at 31 March 2018</b>	<b>7 040 000</b>	<b>411 840</b>	<b>-10 048</b>	<b>38 595</b>	<b>85 410</b>	<b>6 979</b>	<b>80 061</b>	<b>136 371</b>	<b>749 208</b>
Distribution from capital reserve (29.6.2018)				-38 264					-38 264
Capital reduction (10.9.2018)	-80 000	-4 680	9 646				-4 966		0
Par value repayment (21.9.2018)		-10 440					5		-10 435
Increase in reserve for treasury shares <sup>1)</sup>						8 363	-8 363		0
Net result for the year								45 729	45 729
<b>Balance as at 31 March 2019</b>	<b>6 960 000</b>	<b>396 720</b>	<b>-402</b>	<b>331</b>	<b>85 410</b>	<b>15 342</b>	<b>66 737</b>	<b>182 100</b>	<b>746 238</b>
Par value repayment (12.9.2019)		-52 200					22		-52 178
Increase in reserve for treasury shares <sup>1)</sup>						3 126	-3 126		0
Net result for the year								54 239	54 239
<b>Balance as at 31 March 2020</b>	<b>6 960 000</b>	<b>344 520</b>	<b>-402</b>	<b>331</b>	<b>85 410</b>	<b>18 468</b>	<b>63 633</b>	<b>236 339</b>	<b>748 299</b>

1) For treasury shares held by Subsidiary.

## 1. General

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

## 2. Accounting policies

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

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

### 2.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments which can be converted to a known amount of cash within 90 days and are subject to insignificant change in value.

### 2.2 Investment in Subsidiary

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

### 2.3 Liabilities

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

### 2.4 Treasury shares

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

## 3. Non-current financial liabilities

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

## 4. Treasury shares

The Ordinary Shareholders' Meeting of 24 June 2019 authorised the Board of Directors to repurchase a maximum of 696 000 of the Company's own shares via a second trading line. The aim of this share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 27 June 2022 ("2019 share buy-back programme").

The Company holds 2 910 of its own shares (previous year: 2 910) as at the balance sheet date of 31 March 2020. During the 2019/2020 financial year, none of the Company's own shares were acquired (previous year: none).

<b>Holdings from second trading line</b> (Number of own shares)	2019/2020	2018/2019
<b>Beginning of financial year</b>	<b>2 910</b>	<b>82 910</b>
Acquired via second trading line under share buy-back programme	0	0
Capital reduction owing to cancellation of own shares	0	-80 000
<b>End of financial year</b>	<b>2 910</b>	<b>2 910</b>

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd. holds 98 363 treasury shares (previous year: 92 980), acquired via the regular trading line. During the 2019/2020 financial year, the Subsidiary acquired a total of 278 659 treasury shares via the regular trading line at an average price of CHF 191.29 per share (previous year: 296 389 at CHF 162.99) and sold 273 276 treasury shares at an average price of CHF 191.96 per share (previous year: 254 820 at CHF 165.69).

## 5. Significant shareholders

Based on information received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2020:

### Shareholding

15–20 %	Nogra Pharma Invest S.à.r.l., Luxemburg
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Mario G. Giuliani, who serves as member of the Board of Directors of HBM Healthcare Investments Ltd owns shares of Nogra Pharma Invest S.à.r.l., Luxemburg, together with Giammaria Giuliani.

## 6. Major subsidiaries

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

(CHF 000)	Capital as at per 31.3.2020	Capital as at 31.3.2019
HBM Healthcare Investments (Cayman) Ltd., Cayman Islands	846 000	846 000

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

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

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

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

Shares held directly or indirectly by governing bodies (number of registered shares)	31.3.2020	31.3.2019
<b>Board of Directors</b>		
Hans Peter Hasler, Chairman	8 500	6 500
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	4 000	4 000
Mario G. Giuliani, Member	1 100 612	1 100 612
Dr Eduard E. Holdener, Member	1 400	1 400
Robert A. Ingram, Member	1 000	1 000
Dr Rudolf Lanz, Member	3 300	3 300
<b>Management</b>		
Dr Andreas Wicki, CEO	53 490	63 250
Erwin Troxler, CFO	8 902	7 250

1) Shares are held by Nogra Pharma Invest S.à.r.l., Luxembourg.  
Mario G. Giuliani owns shares of the company together with Giammaria Giuliani.

## 8. Other disclosures required by law

### 8.1 Declaration of full-time equivalents

The annualised average number of full-time equivalents employed by the company during the 2019/2020 financial year was less than one (previous year: less than one).

### 8.2 Contingent liabilities

As at 31 March 2020, the Company did not have any outstanding contingent liabilities (previous year: none).

### 8.3 Business review and statement of cash flows

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

## 9. Impact of COVID-19

From the end of 2019, COVID-19 has spread across the world. The future consequences of the pandemic, which may affect the development of the financial markets and the healthcare industry, the portfolio companies and the Company itself, are unknown to date. The Board of Directors of the

Company is monitoring the situation and the potential impact on the Company very closely. The Company is in a position to continue its usual operations in accordance with its investment policy.

The pandemic may result in delays in clinical trials, drug approval processes and market launches, as extensive containment measures are being implemented worldwide to stop the spread of the virus. This may result in higher capital needs of portfolio companies and delays in the closing of financing rounds. As investors may pursue a lower-risk strategy, access to capital may be temporarily more difficult, which could have an impact on the valuation of the companies.

## 10. Events after the balance sheet date

The Board of Directors of the Company authorised these Statutory Annual Financial Statements on 7 May 2020. 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.

## Proposals of the Board of Directors

### 1. Appropriation of earnings

The Board of Directors proposes to the Ordinary Shareholders' Meeting that retained earnings of CHF 236.3 million be used as follows:

<b>Retained earnings (CHF)</b>	<b>2019/2020</b>
<b>Beginning of financial year</b>	<b>182 099 847</b>
Net result for the year	54 239 075
<b>End of financial year (carried forward)</b>	<b>236 338 922</b>

### 2. Cash distribution from a par value repayment

The Board of Directors proposes a cash distribution of CHF 7.70 per share eligible for dividend (up to a maximum of CHF 52.8 million) by means of a withholding tax-exempt par value repayment. The cash payment will be made after the expiration of the legal deadlines.

To the General Meeting of  
HBM Healthcare Investments Ltd, Zug

Zurich, 7 May 2020

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HBM Healthcare Investments Ltd (the Company), which comprise the balance sheet, income statement and notes (pages 88 to 93), for the year ended 31 March 2020.



### 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 judgement, 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 2020 comply with Swiss law and the company's articles of incorporation.



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

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



matter below, our description of how our audit addressed the matter is provided in that context.

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

#### **Valuation of the investment in the subsidiary**

<b>Risk</b>	<p>Owing to the uncertainty over valuing investments in private, non-listed companies and, in particular, venture capital funds, the estimated fair value calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEV Guidelines”) can differ from the values that would have been used had an active market for these investments existed.</p> <p>The investment of HBM Healthcare Investments Ltd in HBM Healthcare Investments (Cayman) Ltd. is recognized at an amount of no more than the acquisition cost less any impairment losses.</p> <p>All of the assets held by HBM Healthcare Investment (Cayman) Ltd. are classified as financial assets at fair value through profit or loss. This also includes assumptions used in valuations due to financing rounds, when recognizing impairments in stages and for valuation due to valuation models. The Company also applies a measurement policy that is based on estimated likelihoods of the occurrence of future milestone payments and risk-adjusted discount rates in order to estimate the fair values. Determining such inputs requires estimates to be made by the management and the investment advisor and could lead to values that may differ from those calculated using other acceptable valuation principles. These risks could have an effect on the fair value of the investment in the subsidiary HBM Healthcare Investments (Cayman) Ltd. and the assets held by this company, which, in turn, could have an effect on the book value of the investment of HBM Healthcare Investments Ltd. The valuation principles are disclosed under “Investment in Subsidiary” (note 2.2) and the details on the assets and profits recognized can be found under “Major subsidiaries” (note 6).</p>
<b>Our audit response</b>	<p>We performed audit procedures on the fair value of the equity investments held by the subsidiary. These included the following:</p> <p>We obtained an understanding of the Company’s process in respect of equity investments in private companies and their valuation in the annual financial statements.</p> <p>Furthermore, we audited the estimates and assumptions made by the management for significant investments based on interviews and the documentation that serves as the basis for the estimate (monitoring sheets), in particular in respect of the development of significant venture capital.</p> <p>We compared the value adjustments due to financing rounds with the underlying documents, such as share purchase agreements. We</p>

compared impairments recorded due to indications of a deterioration with the corresponding documents, e.g. available annual financial statements, budgets and monitoring sheets. In instances where increases in value were recorded due to higher revenue or profit, we compared, with the involvement of specialists, these results with the annual financial statements and calculated the increases in value based on the measurement policies used.

In addition, we performed audit procedures for the milestone payments that the Company received during the period.

Our audit did not lead to any reservations relating to the valuation of the investment in the subsidiary.



#### **Report on other legal requirements**

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

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

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

Ernst & Young Ltd

**Jürg Zürcher**  
Licensed audit expert  
(Auditor in charge)

**Roman Ottiger**  
Licensed audit expert

**hbmhealthcare.com**  
Company website

**CH 0012627250**  
ISIN

**HBMN**

SIX Swiss Exchange Ticker

#### Significant shareholders

Based on the notifications received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2020:

#### Shareholding

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

Management fee (paid quarterly):  
0.75% of Company assets plus  
0.75% of the Company's market capitalisation  
Performance fee (paid annually):  
15% on increase in value above the high water mark  
High water mark:  
NAV of CHF 186.86 (CHF 212.03 as of 1.4.2020)

#### Board of Directors and Management

Hans Peter Hasler, Chairman  
Prof. Dr Dr h.c. mult. Heinz Riesenhuber,  
Vice Chairman  
Mario G. Giuliani, Member  
Dr Eduard E. Holdener, Member  
Robert A. Ingram, Member  
Dr Rudolf Lanz, Member  
Dr Benedikt Suter, Secretary

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

#### Investment Advisor

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



## **Credits**

Editorial

HBM Healthcare Investments Ltd

Photography

Patrizio di Renzo, Markus Bertschi, Getty Images, iStockphoto

Concept and realisation

Weber-Thedy Strategic Communication

Design

Küng Art Direction

Layout and print

Bader + Niederöst AG

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The Annual Report is published in English and German.

The German version is binding in all matters of interpretation.

