

Annual Report

2018

2019

HBM Healthcare
Investments



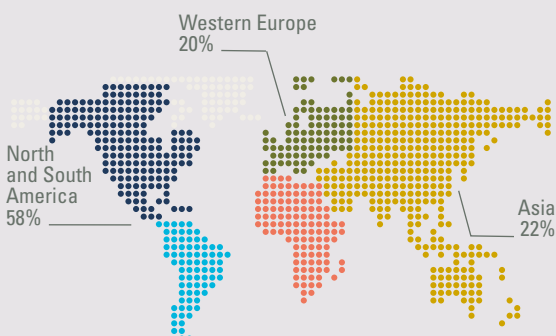
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HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. The company holds and manages an international portfolio of promising companies.

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 continents³⁾

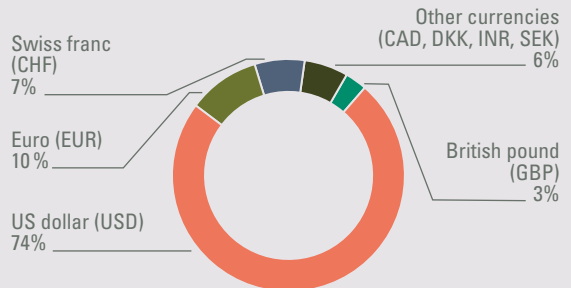
International portfolio with focus on North America.



1) Total assets as at 31.3.2019: CHF 1 547 million.

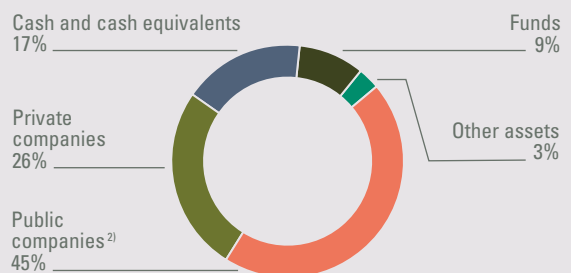
Currency allocation of assets¹⁾

Emphasis on US dollar investments.



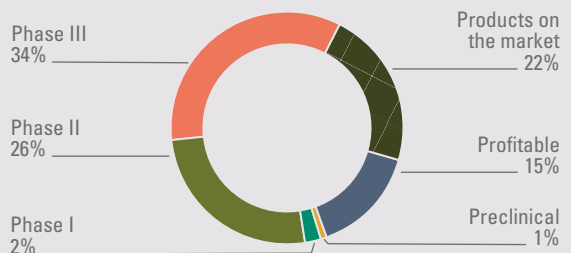
Allocation of assets¹⁾

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



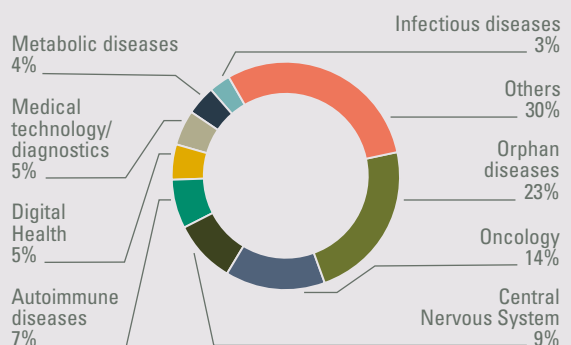
Development phase of portfolio companies³⁾

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



Therapeutic area of the lead product of portfolio companies³⁾

Broadly diversified areas of activity.



2) About 39 percent net of market hedging.

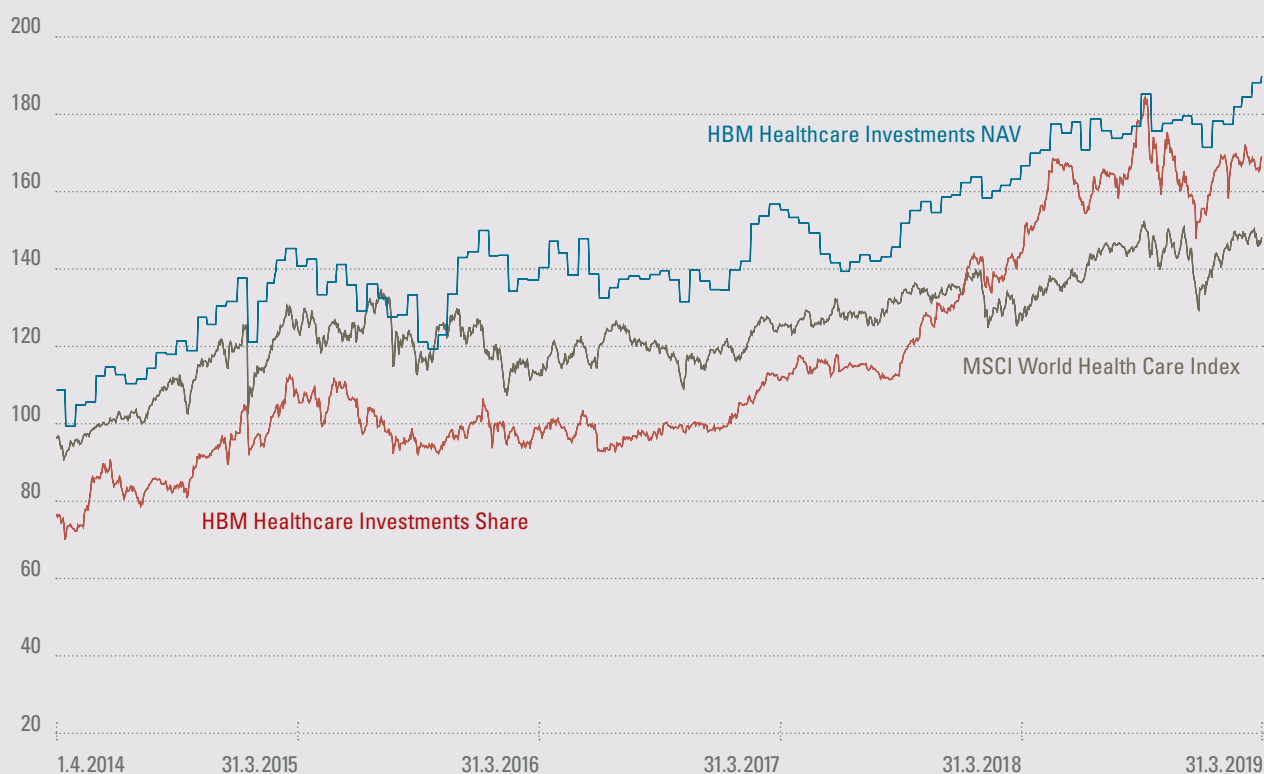
3) Total investments as at 31.3.2019: CHF 1 230 million.

Key Figures		31.3.2019	31.3.2018	31.3.2017	restated 31.3.2016	restated 31.3.2015
Net assets	CHF million	1 318.3	1 157.9	1 095.8	1 034.8	1 086.6
Investments in private companies and funds		542.1	413.9	274.3	299.5	273.4
Investments in public companies		688.2	750.0	813.6	677.0	748.1
Cash and cash equivalents (net of liability from market hedging)		176.2	72.4	77.0	104.8	76.9
Net result for the year	CHF million	209.1	115.9	136.8	23.8	257.5
Basic earnings per share	CHF	30.05	16.55	18.96	3.11	32.47
Net asset value (NAV) per share	CHF	189.48	166.43	155.09	139.41	140.12
Share price	CHF	168.80	144.00	111.40	99.45	108.00
Discount	%	-10.9	-13.5	-28.2	-28.7	-22.9
Distribution per share	CHF	7.50 ¹⁾	7.00	5.80	5.50	5.50
Distribution yield	%	4.4	4.9	5.2	5.1	5.1
Shares issued	Registered shares (m)	7.0	7.0	7.3	7.7	8.0
Shares outstanding	Registered shares (m)	7.0	7.0	7.1	7.4	7.8

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

Performance (including distributions)		2018/2019	2017/2018	2016/2017	restated 2015/2016	restated 2014/2015
Net asset value (NAV)	%	18.1	11.1	15.2	3.4	31.6
Registered share HBMN	%	22.1	34.5	17.5	-2.8	47.0

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



CHF 209 million
Profit for the 2018/2019 financial year

CHF >1 billion
Cumulated profits
over the past six years

22.1 percent
Value increase of HBMN share
incl. cash distribution

2019 shareholders
registered in the share register as at end of March 2019

CHF 7.50 per share
Cash distribution to shareholders –
increase of 50 cents





22%

of HBM Healthcare Investments' portfolio is invested in the fast-growing markets of Asia. The focus is on companies from China and India.

Hong Kong (pictured: the view across Victoria Bay) long served the West as a base from which to enter the Chinese market. In the meantime, many major cities have emerged around the South China Sea, all of them are home to millions. It is an impressive example of the rapid growth of eastern Asia. This swift ascension among global markets has also encompassed qualitative expansion in high-technology sectors, as well as the healthcare market.

HBM Healthcare Investments has been tracking these changes, and over the past years has significantly increased the proportion of the portfolio that is invested in Asia. The investment strategy not only focuses on drug research and development and healthcare services, but also on their distribution. China and India both offer companies an attractive environment that allows them to expand quickly.

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



With an increase in net assets of 18 percent, HBM Healthcare Investments looks back upon another successful financial year. The 2018/2019 year-end result seamlessly carries forward the achievements of previous years. Cumulated profits over the past six years exceed CHF 1 billion. During the same period, net asset value (NAV) per share, including distributions, more than trebled, while the share price almost quadrupled. This steady growth in value has resulted in a significantly stronger shareholder base. The proposed cash distribution of CHF 7.50 represents an increase of 50 cents compared to the previous year.

Innovations in the healthcare market are the main driving force behind investment success. The potential is far from exhausted. The need for new therapies remains considerable, despite the current record level of new drug approvals. HBM Healthcare Investments is grasping the opportunities presented by these developments, having invested CHF 141 million in private companies during the year under review, including 15 new holdings. The Asian allocation has been increased to 22 percent. The portfolio remains balanced, well diversified, and partially hedged.

Dear Shareholders

The 2018/2019 financial year that has just ended saw HBM Healthcare Investments increase its value by 18 percent to net assets totalling 1.3 billion, and once again – as in the past five years – present a very successful set of results. Over the past six years in total, the Company has generated cumulated added value of more than CHF 1 billion. Taking capital repayments to shareholders into account, net asset value (NAV) per share more than trebled during the same period, while the share price almost quadrupled.



This excellent performance, combined with an attractive distributions policy, has attracted a broader shareholder base. The number of individuals entered in the share register has more than doubled over the past six years, passing the two thousand mark for the first time at the end of the financial year, at precisely 2019.

Innovation pays off

The attractiveness of the healthcare sector continues to offer us sufficient opportunities for our investment activities. The driving factors are the enormous new findings from biological research and the continuing high demand for new therapies.

In 2018, the US drug approval authority, the FDA, approved a total of 59 new drugs – a new record. Just under half of these new market approvals were in the oncology and rare genetic diseases segments. In many cases there is still a lack of treatment options in both of these areas.

Innovations such as gene therapy and immuno-oncology permit specifically targeted treatment, reduce suffering, and save lives. Their potential is far from exhausted, and further significant progress is widely expected. It is thus no coincidence that much of the most recent takeover activity has focused on these innovations, such as the acquisition of AveXis by Novartis, of Spark Therapeutics by Roche, of NightstarRx by Biogen, and of ARMO BioSciences and Loxo Oncology by Eli Lilly.

"Over the past six years in total, the Company has generated cumulated added value of more than CHF 1 billion."

Hans Peter Hasler
Chairman of the Board of Directors

HBM Healthcare Investments will remain at the heart of developments. With our expertise and experience, we will continue to identify market trends at an early stage and structure our portfolio accordingly.

Asia becoming more important

In addition to progress in specific therapeutic fields, we are keeping a close eye on geographical developments. This prompted HBM Healthcare Investments to make further strategic additions to its holdings in Asia during the year under review. Investments in this region now account for around 22 percent of assets. The extremely dynamic growth of the Chinese healthcare market, in particular, holds excellent opportunities, with innovation becoming increasingly important.

The keys to successful investing are to build the right networks at an early stage, and to acquire the necessary expertise. In Asia as in other regions, we are pursuing our tried-and-tested approach of working with local partners, combining funds and direct investments. Some of our activities are already very successful, and should generate further added value for the Company. At the same time, our investment advisor is expanding its own staff resources in Asia.

CHF 209 million profit for the year

Profit for the year as at the end of March 2019 stood at CHF 209 million. Investment activities achieved a net CHF 266 million contribution to profits, with CHF 153 million generated by private companies and funds, CHF 101 million by public companies, and CHF 12 million by other assets.

In the portfolio of private companies, the IPOs of Y-mAbs Therapeutics (profit contribution of CHF 50 million) and Principia Biopharma (CHF 20 million) released added value. In addition, the following investments were revalued due to higher valuations in financing rounds with third-party investors: Cathay Industrial Biotech (CHF 38 million), Neurelis (CHF 20 million), SAI Life Sciences (CHF 11 million) and 1mg (CHF 8 million). These revaluations demonstrate the successful operating performance of the companies concerned.

"We have invested CHF 141 million in private companies during the year under review, including 15 new holdings."

Dr Andreas Wicki
Chief Executive Officer

In the portfolio of fund investments, the value of our largest holding – in WuXi Healthcare Ventures II (profit contribution of CHF 11 million) – increased significantly as Chinese oncology firm CStone Pharmaceuticals went public in Hong Kong.

HBM Healthcare Investments also benefited from three takeovers in the portfolio of public companies. Former private company ARMO BioSciences (profit contribution of CHF 22 million) was acquired by Eli Lilly, Tesaro Pharmaceuticals (CHF 8 million) by GlaxoSmithKline, and AveXis (CHF 8 million) by Novartis. HBM Healthcare Investments acquired its holding in the latter two of these companies via the stock market.

The reporting year also brought significant increases in the value of our holdings in Ultragenyx (profit contribution of CHF 20 million), Argenx (CHF 19 million), BioArctic (CHF 17 million) and Ra Pharma (CHF 16 million).

The partial market hedge of the public portfolio had no effect on net income during the financial year. Two-thirds of the hedge was closed out following the sharp drop in share prices towards the end of the fourth calendar quarter of 2018, and increased slightly once again after the sharp counter-movement in the first quarter of 2019. Around 13 percent of the public portfolio was hedged as at the end of March 2019.

Management fees of about CHF 17 million are in line with the rise in net assets, while the Company's other administration costs remain unchanged at around CHF 3 million. In addition, in view of the increase in value achieved during the reporting year, which significantly exceeds the previous high water mark, a performance fee of CHF 31.9 million is due to the investment advisor. The Board of Directors will receive variable compensation of CHF 2.0 million.

CHF 141 million for private companies

HBM Healthcare Investments invested a total of CHF 114 million in 15 private companies during the year under review. Of this, CHF 87 million has already been paid in. Investment tranches of CHF 27 million remain outstanding. Further, CHF 27 million was dedicated to follow-on investments in existing private companies.



In the final quarter of the financial year HBM Healthcare Investments made a new investment of USD 12 million in the US company SpringWorks Therapeutics. SpringWorks has a pipeline of compounds for the treatment of rare forms of cancer in late-stage clinical development.

Other major new investments during the reporting year included Jianke Pharmaceutical (USD 15 million, an online healthcare service platform), Principia Therapeutics (USD 12 million, immunology and oncology), Turning Point Therapeutics (USD 10 million, oncology), Sublimity Therapeutics (EUR 8 million, compound to treat chronic inflammation of the colon), Sphingotec (EUR 9 million, diagnosis and treatment monitoring in the case of acute renal injury, heart failure and septic shock), Adrenomed (EUR 6 million, antibodies to treat patients with septic shock), Galecto Biotech (EUR 7 million, idiopathic pulmonary fibrosis), and iTeos Therapeutics (EUR 5 million, immuno-oncology).

Smaller investments of USD 3 to 5 million were also made in six further companies.

Broadly diversified portfolio

HBM Healthcare Investments continues to provide a portfolio that is well balanced in terms of diversification, liquidity, and geographical reach. At the end of March 2019, the largest holding accounts for around 9 percent of net assets, and the ten largest investments together make up one third of the portfolio overall. The relative proportion of individual investments may nonetheless rise sharply at times, in connection with the revaluation at a financing round or an IPO, for example.



The Company's assets of CHF 1.5 billion are also well balanced. They were composed as follows as at the end of March 2019: 26 percent private companies, 9 percent funds and 45 percent public companies (39 percent when the hedge is taken into account). Cash and cash equivalents account for 17 percent (11 percent if all market hedge positions are closed out). At around 7 percent, non-current financial liabilities remain at a very moderate level.

The portfolio is also broadly diversified geographically, with 58 percent of investments in the world's largest healthcare market, the US, 20 percent in Europe and 22 percent in Asia, HBM Healthcare Investments is positioned to engage in opportunities around the globe.

Higher cash dividend

The Board of Directors will propose to the Ordinary Shareholders' Meeting that the cash dividend be increased by CHF 0.50 to CHF 7.50, in the form of a withholding tax-exempt par value repayment. This corresponds to a distribution yield of 4.4 percent, which thus remains at the upper end of the target bandwidth of 3 to 5 percent.

"The excellent performance, combined with an attractive distributions policy, has attracted a broader shareholder base."

Erwin Troxler
Chief Financial Officer

Positive portfolio outlook

Many private portfolio companies are performing very well. In accordance with our policies, these investments are conservatively valued, and should generate considerable added value in the event of an IPO or trade sale.

Both private and public portfolio companies (such as Neurelis and Harmony Biosciences) are expected to publish significant study results and approval decisions during the new financial year, with the corresponding effect on their value. Here, too, we anticipate a range of positive publications, most of which will release value potential or open up strategic opportunities.

In view of the relatively low level of visibility on the financial markets, we will continue to keep a critical eye on general market trends, and will reduce our exposure to listed stocks, or increase their hedge, as necessary.

Finally, our thanks to you, our shareholders, for the confidence that you have placed in us. We continue to have a high conviction that HBM Healthcare Investments' balanced, high-quality portfolio continues to offer more value-creation potential.

Hans Peter Hasler
Chairman of the Board of Directors

Dr Andreas Wicki
Chief Executive Officer

Erwin Troxler
Chief Financial Officer

Balance sheet (CHF 000)	Notes to IFRS Group Financial Statements ¹⁾	Consolidated Financials ²⁾ 31.3.2019 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 31.3.2019 (audited)
Assets				
Current assets				
Cash and cash equivalents		268 405	– 263 702	4 703
Receivables		551	– 525	26
Financial instruments	(3.2)	259	– 259	0
Total current assets		269 215	– 264 486	4 729
Non-current assets				
Investments	(3.1)	1 230 377	– 1 230 377	0
Other financial assets	(3.3)	31 978	– 31 978	0
Investment in subsidiary		0	1 417 427	1 417 427
Total non-current assets		1 262 355	155 072	1 417 427
Total assets		1 531 570	– 109 414	1 422 156
Liabilities				
Current liabilities				
Financial instruments	(3.2)	92 224	– 92 224	0
Liability from performance fee	(3.4.2)	33 905	– 31 871	2 034
Other liabilities		3 472	– 1 015	2 457
Total current liabilities		129 601	– 125 110	4 491
Non-current liabilities				
Financial liabilities	(4)	99 401	0	99 401
Total non-current liabilities		99 401	0	99 401
Shareholders' equity				
Share capital	(5.1)	396 720	0	396 720
Treasury shares	(5.2)	– 15 744	15 342	– 402
Capital reserve	(5.1)	149 182	– 7 089	142 093
Retained earnings		772 410	7 443	779 853
Total shareholders' equity		1 302 568	15 696	1 318 264
Total liabilities and shareholders' equity		1 531 570	– 109 414	1 422 156
Number of outstanding shares (in 000)		6 864	93	6 957
Net asset value (NAV) per share (CHF)		189.77		189.48

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

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

Statement of comprehensive income for the financial year ended 31 March (CHF 000)	Notes to IFRS Group Financial Statements ¹⁾	Consolidated Financials ²⁾ 2018/2019 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 2018/2019 (audited)
Net result on investments	(3.1)	253 320	- 253 320	0
Dividend income		686	- 686	0
Net result from financial instruments	(3.2)	59	- 59	0
Net result from other financial assets		9 357	- 9 357	0
Dividend income from investment in subsidiary	(3)	0	52 000	52 000
Net change in value of investment in subsidiary	(3)	0	163 503	163 503
Result from investment activities		263 422	- 47 919	215 503
Management fee	(3.4.1)	- 17 322	17 322	0
Performance fee	(3.4.2)	- 31 871	31 871	0
Personnel expenses	(6)	- 3 802	879	- 2 923
Other operating expenses		- 1 482	403	- 1 079
Result before interest and taxes		208 945	2 556	211 501
Financial expenses	(4)	- 2 435	0	- 2 435
Financial income		70	- 69	1
Income taxes		0	0	0
Net result for the year		206 580	2 487	209 067
Comprehensive result		206 580	2 487	209 067
Number of outstanding shares, time-weighted (in 000)		6 892	65	6 957
Basic earnings per share (CHF)		29.97		30.05

For the footnotes, see page 12.

Statement of cash flows for the financial year ended 31 March (CHF 000)	Consolidated Financials ²⁾ 2018/2019 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 2018/2019 (audited)
Management fee paid	- 17 322	17 322	0
Performance fee for previous reporting period paid	- 16 960	16 960	0
Expenses paid (personnel and other operating expenses)	- 2 845	- 7	- 2 852
Net cash flow from operating activities	- 37 127	34 275	- 2 852
Interest and dividend payments received	686	- 686	0
Dividend payment from subsidiary received	0	52 000	52 000
Purchase of investments	- 533 997	533 997	0
Sale of investments	710 812	- 710 812	0
Payments received from milestones, net	10 225	- 10 225	0
Net cash flow from financial instruments for market hedging	- 48 390	48 390	0
Purchase of other financial instruments	- 9 862	9 862	0
Sale of other financial instruments	5 768	- 5 768	0
Net cash flow from investing activities	135 242	- 83 242	52 000
Interest payments paid	- 2 200	- 69	- 2 269
Cash distribution from capital reserve	- 38 068	- 196	- 38 264
Par value reduction	- 10 350	- 85	- 10 435
Purchase of treasury shares	- 48 308	48 308	0
Sale of treasury shares	42 221	- 42 221	0
Net cash flow from financing activities	- 56 705	5 737	- 50 968
Currency translation differences	6 922	- 6 921	1
Net change in cash and cash equivalents	48 332	- 50 151	- 1 819
Cash and cash equivalents at beginning of period	220 073		6 522
Cash and cash equivalents at end of period	268 405		4 703

For the footnotes, see page 12.

Statement of changes in equity (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total consolidated shareholders' equity ²⁾ (unaudited)	Translation ³⁾	Total shareholders' equity IFRS (audited)
Balance as at 31 March 2018	411 840	-17 026	189 849	565 830	1 150 493	7 403	1 157 896
Comprehensive result				206 580	206 580	2 487	209 067
Purchase of treasury shares		-48 308			-48 308	48 308	0
Sale of treasury shares		39 944	2 277		42 221	-42 221	0
Distribution from capital reserve (29.6.2018)			-38 068		-38 068	-196	-38 264
Capital reduction (10.9.2018)	-4 680	9 646	-4 966		0	0	0
Par value repayment (21.9.2018)	-10 440		90		-10 350	-85	-10 435
Balance as at 31 March 2019	396 720	-15 744	149 182	772 410	1 302 568	15 696	1 318 264

For the footnotes, see page 12.

Portfolio Companies



CHF 75 million Y-mAbs Therapeutics
(fair value CHF 74.6 million / 5.8% of net assets)

Argenx **CHF 46 million**
(fair value CHF 45.7 million / 3.5% of net assets)

CHF 38 million Neurelis
(fair value CHF 37.5 million / 2.9% of net assets)

Harmony Biosciences **CHF 32 million**
(fair value CHF 32.4 million / 2.5% of net assets)

CHF 31 million Ultragenyx Pharmaceutical
(fair value CHF 31.1 million / 2.4% of net assets)

Alnylam Pharmaceuticals **CHF 25 million**
(fair value CHF 24.7 million / 1.9% of net assets)

CHF 19 million RA Pharmaceuticals
(fair value CHF 18.9 million / 1.5% of net assets)

Y-mAbs Therapeutics

New York, USA

USD 896 million

Market capitalisation as at 31.3.2019

High medical value
for cancers of
the nervous system

CHF 75 million

Fair value as at 31.3.2019

Share price since IPO



NASDAQ

21.9.2018 to 31.3.2019

Radioimmunotherapy combines the specificity of an antibody with cancer-killing radiation. In the form applied by Y-mAbs, a radioactive molecule is coupled to an antibody which then binds specifically to cancer cells and not to healthy ones. The antibody thus directs the tumour-killing radiation directly to the cancer cells. This leads to fewer side-effects than conventional whole-body radiation, as healthy tissue largely remains untouched.

Y-mAbs Therapeutics develops immune therapies for rare and difficult-to-treat cancers in childhood, as well as certain tumours in adults. Omburtamab, for the treatment of neuroblastoma that is metastasizing in the brain, is at an advanced stage of clinical development, as is Naxitamab, for the treatment of severe forms of neuroblastoma and osteosarcoma (bone cancer).

Neuroblastoma is a particularly malignant disease of the sympathetic nervous system, which occurs primarily in early childhood. Current treatment methods are insufficient, and survival rates are very low.

Omburtamab is a radiolabelled monoclonal antibody, which binds to the B7-H3 surface antigen that is expressed by many tumours, including neuroblastoma. Omburtamab is used by Y-mAbs to treat neuroblastoma that has spread to the brain. Following application, Omburtamab binds to the tumour cells, which are then destroyed specifically and effectively by irradiation with the radioactive isotope attached to the antibody. Studies have shown promising results for successful treatment.

In the case of Naxitamab, the monoclonal antibody works in isolation. It attaches itself to disialoganglioside, also known as GD2, another surface antigen expressed by many tumours, including neuroblastoma and bone tumours (osteosarcoma). Therefore, clinical trials are underway for both indications.

Y-mAbs plans to submit applications to the FDA for regulatory approval for both compounds by the end of 2019. Furthermore, the company has a number of antibodies in pre-clinical development for the treatment of types of cancer for which there is considerable medical need. The company has been listed on the US NASDAQ technology exchange since September 2018.

Argenx

Breda, Netherlands

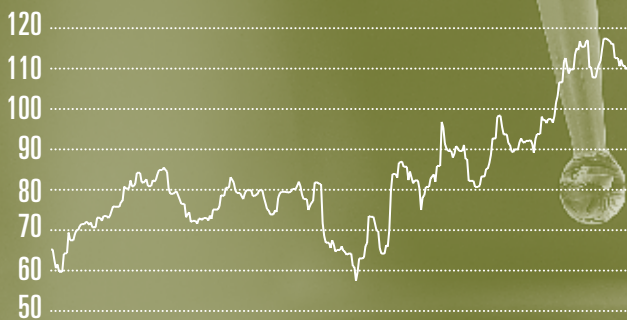
EUR 4176 million

Market capitalisation as at 31.3.2019

New treatment for autoimmune disorders

Share price

EURONEXT



1.4.2018 to 31.3.2019

CHF 46 million

Fair value as at 31.3.2019

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

Argenx uses its technology platform to develop antibodies that reduce certain blood proteins which have been identified as triggers of severe autoimmune diseases or types of cancer. Its development pipeline encompasses a variety of product candidates.

Of these, ARGX-113 (efgartigimod) is at the most advanced stage of clinical development. It is being tested for the treatment of three immunoglobulin-G (IgG)-related autoimmune diseases. One of these is myasthenia gravis, which causes muscle weakness.

Argenx's approach targets the neonatal Fc receptor (FcRn) and the immunoglobulin-G (IgG), which accounts for about 60 to 80 percent of all antibodies. IgG is the only immunoglobulin that can penetrate the placental barrier and thus pass from the mother's circulation into the child's. It occurs in breast milk as well as blood serum.

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

ARGX-113 works as follows: the antibody binds to the Fc receptor (FcRn) and interferes with the recycling of immunoglobulins, including "harmful" autoantibodies, thereby reducing their levels in the blood.

Another antibody, ARGX-110 (cusatuzumab), for the treatment of acute myeloid leukaemia, an aggressive form of blood cancer that is currently barely treatable, has delivered excellent clinical effectiveness data, too. J&J affiliate Janssen is supporting Argenx in the continuing clinical development: in addition to making an upfront payment of USD 300 million, Janssen has acquired shares in Argenx.

Neurelis

San Diego, USA

USD **252** million

Company valuation as at 31.3.2019

High medical need for
fast-acting epilepsy medication

Valtoco™ nasal spray

close to market approval in the US

CHF **38** million

Fair value as at 31.3.2019

Epilepsy is one of the most common conditions of the central nervous system. It affects around one percent of the global population, causing repeated, unpredictable episodes of abnormal brain function described as epileptic seizures. In the event of such a seizure, immediate intervention is required to avoid permanent damage to the brain.

Between 60 and 70 percent of epilepsy cases manifest in childhood. The condition occurs in a variety of forms. Many patients are able to control their seizures with medication, but despite drugs almost a third continue to suffer frequent, uncontrolled "breakthrough seizures". Some of these patients also suffer a number of seizures in quick succession, which together can last for more than five minutes. These forms of epilepsy – known as "status epilepticus" – carry a high risk of irreversible neurological damage, and may even result in death.

Severe epileptic episodes demand rapid action. The seizure must be stopped immediately or the patient hospitalised quickly. Medication to treat seizures in epilepsy patients should therefore take effect swiftly

and be easy to use. Rectal Diazepam in the USA, and oral Midazolam in the EU, are currently the only drugs approved for the treatment of sustained and acute repetitive seizures. Rectal Diazepam is a common means of administering medication to children under the age of six. However, a nasal spray would be a much more practical option for young and adult epilepsy patients alike. A number of major clinical trials have shown that administering Diazepam or Midazolam nasally puts an immediate stop to epileptic seizures.

Neurelis is currently developing a formulation for the nasal administration of Diazepam (NRL-1, Valtoco™).

Neurelis' NRL-1 holds orphan drug and breakthrough therapy status with the FDA for the treatment of acute repetitive seizures. A number of clinical trials have revealed relatively high bioavailability and a correspondingly rapid effect. The drug candidate also has a positive pharmacokinetic profile, and treatment has been proven safe. Neurelis recently applied to the FDA for market approval for Valtoco™.

Harmony Biosciences

Plymouth Meeting, USA

USD 429 million

Company valuation as at 31.3.2019

Innovative drug
to treat

narcolepsy

Pitolisant close to
market approval in the US

CHF 32 million

Fair value as at 31.3.2019

Narcolepsy is a rare and chronic neurological condition which places enormous strain on the body. This takes the form of excessive daytime sleepiness, accompanied in many cases by cataplexy – a sudden loss of muscle strength triggered by strong emotions – as well as hallucinations and other symptoms. It severely impairs the patient's quality of life. There are two types of narcolepsy – with and without cataplexy (muscle weakness).

The drugs that are currently available for narcolepsy patients, especially those with cataplexy, are not sufficient. The approved compounds Modafinil, Methylphenidate and Clomipramine either have a wide range of side-effects or are not effective for both forms of the condition – daytime sleepiness and cataplexy – at the same time. Perhaps the best-known medication on the market is Xyrem[®], which contains the active substance sodium oxybate, from Jazz Pharmaceuticals. It has been shown to be effective; however, it may trigger strong side-effects and is also potentially addictive. Xyrem[®] may therefore be prescribed only under very specific conditions and strict supervision. Despite these issues, the drug generated revenues of more than USD 1 billion last year.

Pitolisant has a different mode of action. It takes the histamine H3 receptor as its starting point. Histamine plays an important role in regulating daytime sleepiness. By blocking the receptor, pitolisant increases the level of histamine released in the brain, thereby enhancing wakefulness and reducing excessive daytime sleepiness. It also has a beneficial effect on cataplexy and other associated symptoms such as hallucinations.

There have already been a large number of successful clinical trials of Pitolisant, which has proved effective in treating both daytime sleepiness and cataplexy, and has a positive side-effect profile. The compound is marketed in Europe under the trade name Wakix[®] for the treatment of narcolepsy in adults, both with and without cataplexy. At present, there is no medication with a similar mode of action approved for marketing in the US.

In October 2017, Harmony Biosciences purchased the exclusive rights to develop, register and commercialise Pitolisant in the US from the French company Bioprojet SCR. Harmony has been granted priority review status by the FDA and hopes to gain approval to market the drug in the US in the second half of the year. Pitolisant could become the first medication in over a decade to gain approval in the US for the treatment of both excessive daytime sleepiness and cataplexy in patients with narcolepsy.

Ultragenyx Pharmaceutical

Novato, USA

USD 3951 million
Market capitalisation as at 31.3.2019

Promising **gene therapy**
candidates

Share price

NASDAQ



1.4.2018 to 31.3.2019

CHF 31 million

Fair value as at 31.3.2019

A broad range of cell and gene therapies to treat rare genetic diseases is currently in development, focusing on illnesses which are clearly caused by mutations in a specific gene. This permits the treatment, and in some cases even cure, of diseases which were incurable or even terminal until just recently. Often, a single treatment is all that is needed. Some 300 cell and gene therapies are currently in development. The FDA expects between 10 and 20 new therapies to be approved each year from 2025 onwards.

Ultragenyx launched its first two products on the market in 2018. The antibody Crysvita® (burosumab) has been licensed for the treatment of X-linked hypophosphataemia (XLH), a serious rare childhood disease which causes soft, weak bones because the body does not metabolise Vitamin D and phosphate properly.

Enzyme replacement therapy Mepsevii® (vestronidase alfa) has received first-time approval for the treatment of the rare metabolic disease mucopolysaccharidosis VII. The treatment involves patients who cannot produce a particular enzyme themselves, or do not produce it in sufficient quantities, being administered that enzyme externally.

Further Ultragenyx drug candidates are at various stages of clinical development. Phase-I- and phase-II- studies for gene therapies DTX301 and DTX401 are currently ongoing, for example. DTX301 is being tested in patients with ornithine transcarbamylase (OTC), a urea cycle disorder, while DTX401 is being studied as a treatment for glycogen storage disease type 1a (GSD1a). The initial findings of these studies were promising. Data on a cohort receiving higher doses should be available for each study in mid-2019.

With these gene therapies, the correct gene and a gene editor are packed into a viral vector – the adeno-associated virus (AAV) in the case of DTX301 and DTX401 therapies – and injected into the patient's bloodstream. The virus then finds its way to the patient's liver, where it corrects the faulty gene. The treatment thus works by means of in-vivo gene transfer, in which missing or faulty genes are exchanged for a correct version of the gene directly within the body. By contrast, with the ex-vivo gene transfer method, the patient's cells undergo genetic modification outside the body, before being reintroduced. This type of treatment, such as CAR T-cell therapy, has been used successfully in "untreatable" cancer patients.

Anylam Pharmaceuticals

Cambridge, USA

USD **9929** million
Market capitalisation as at 31.3.2019

Pioneer in
RNA therapeutics

CHF **25** million
Fair value as at 31.3.2019

Share price

NASDAQ



1.4.2018 to 31.3.2019

Proteins often trigger diseases or their symptoms. Most conventional medicines seek to inhibit protein function. To do this, they use antibodies, although they display certain limitations because they are able to bind only to membrane proteins, for example. RNA therapeutics act at a much earlier stage, preventing these proteins forming in the first place. They block the proteins' transcription and translation in the cell nucleus, where our genes are found in the form of DNA. Nucleic acids are then used to prevent, or at least inhibit, protein synthesis.

Alnylam develops and commercialises novel drugs based on RNA interference (RNAi), and is one of the pioneers in its field. The aim of this method is to target individual genes and "switch them off" to prevent the production of pathogenic proteins at an early stage. The company recorded success with this "gene silencing" process in mammals as early as 2004. Last summer, Alnylam then received market approval in the USA for its first RNAi compound. Administered via the bloodstream, in principle RNAi therapeutics permit any gene that is responsible for

causing illness to be silenced, opening up the prospect of the broad use of this method to treat a wide range of diseases. There are currently two principal approaches to the clinical development of RNAi drugs: antisense RNA and siRNA (small interfering RNA). Alnylam focuses on developing therapeutics based on siRNA.

The drug recently market approved in the US, Onpattro (patisiran) is used to treat the rare disease transthyretin amyloidosis (ATTR). The disease, which affects multiple organs, is caused by misfolded transthyretin protein (also known as prealbumin, TTR), which is produced in great quantities by the liver. Mutations in the TTR gene result in an accumulation of abnormal amyloid proteins which damage organs and tissue, such as the heart and peripheral nervous system.

Furthermore, Alnylam has four product candidates at the final trial stage, and a large number of investigational drugs in development. For example, fitusiran is being tested in some 250 patients with haemophilia, a blood-clotting disorder, in three separate studies. Initial results are expected before the end of 2019. The same is true of other pipeline candidates such as Inclisiran and Lumasiran. Inclisiran is being tested as a potential therapy for lowering high cholesterol levels, and Lumasiran as a compound to treat hyperoxaluria, which can cause renal damage if left untreated.

RA Pharmaceuticals

Cambridge, USA

USD 944 million

Market capitalisation as at 31.3.2019

New treatment for complement-mediated diseases



NASDAQ

CHF 19 million

Fair value as at 31.3.2019

The complement system is part of the body's immune response. It enhances the function of antibodies. In addition to fighting off pathogens, such as bacteria or viruses, it reduces immune overactivity which threatens the body's own structures and can lead to autoimmune diseases. The complement system consists of around 30 different complement factors, or proteins dissolved in bodily fluids that can be activated in a cascade action when needed. However, mutations in the genes of some complement molecules can themselves cause autoimmune diseases.

A conglomerate of plasma proteins which also include complement factors C1 to C9 help the body to eliminate bacteria, for example, but if dysregulated can also trigger autoimmune responses. Protein C5 is divided enzymatically into its subcomponents C5a and C5b. As a part of the membrane attack complex (MAC), C5b is responsible for breaking down unwanted cells, while the significantly smaller C5a causes a series of inflammatory reactions. These include, for example, activating "scavenger cells" (macrophages) and neutrophils (white blood cells) to eliminate microbial invasions.

Ra Pharmaceuticals develops active agents which inhibit the complement system. Its most advanced drug candidate, Zilucoplan (RA101495 SC), is currently in phase-II clinical development. Zilucoplan binds very specifically to complement C5 and inhibits its cleavage into the C5a and C5b sub-components, thereby preventing C5b forming the membrane attack complex. Its binding site means that Zilucoplan is also able to interrupt subsequent interaction between C5b and C6, thus blocking the formation of a further membrane attack complex. This mechanism prevents the destruction of red blood cells which can occur in complement-mediated diseases.

Perhaps the best-known compound that also inhibits complement factor C5, which has been on the market for some time, is the blockbuster drug Soliris, from Alexion, and its successor compound Ultomiris. Soliris is administered intravenously. By contrast, Zilucoplan is expected to be marketed as a subcutaneous injection, permitting a simpler and more cost-effective form of treatment by comparison.

Zilucoplan is being tested for the treatment of myasthenia gravis, as well as for paroxysmal nocturnal haemoglobinuria (PNH). PNH is a very rare disease affecting blood stem cells that is associated with an elevated risk of thrombosis, infection, leukaemia and bone marrow failure. Following a successful series of phase-II-trials, the phase-III-studies required for market approval should begin for both therapeutic indications over the course of this year.

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 2019, that is required by the "Directive on Information Relating to Corporate Governance (DCG)" issued by SIX Swiss Exchange, and the content and scope, which are required under the provisions of the "Ordinance against Excessive Compensation in Listed Companies (OAEC)" issued by the Federal Council and entered into force on 1 January 2014, and is structured in accordance with these directives.

1. Group structure and shareholders

1.1 Group structure

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

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

HBM Healthcare Investments Ltd

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

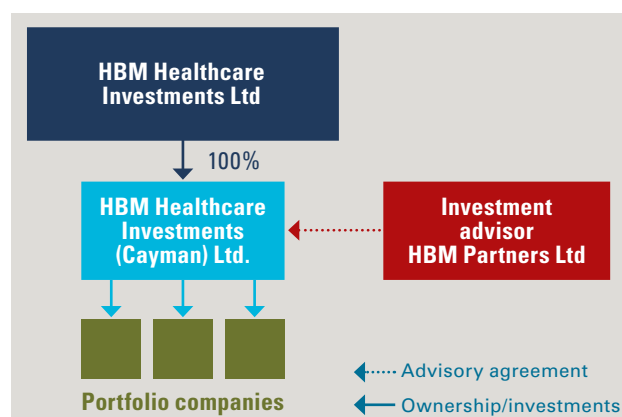
The Company's shares are listed on SIX Swiss Exchange.

HBM Healthcare Investments (Cayman) Ltd.

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

The share capital of HBM Healthcare Investments (Cayman) Ltd. was CHF 846 million as at 31 March 2019.

Group structure



1.2 Investment advisor

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

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

1.3 Significant shareholders

As at the balance sheet date, the Company had 2 019 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.hbmhealthcare.com/en/investors/information>) and SIX Swiss Exchange. The Company is not aware of the existence of any shareholder pooling agreements.

2. Capital structure

2.1 Share capital and changes to share capital

The Company's share capital of CHF 396 720 000 consists of 6 960 000 fully paid up registered shares with a par value of CHF 57.00 each. No share certificates are issued.

A review of the Company's changes in capital since 31 March 2016 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 2019, 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 2018/

2019 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 2018/2019 financial year. The Company's Chief Executive Officer and Chief Financial Officer, as well as Dr Benedikt Suter, in his function as the Board's secretary, attended all Board meetings.

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

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

The Audit Committee held three half-day meetings and a telephone conference during the 2018/2019 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 2018. The Compensation Committee comprises at least two members of the Board of Directors. The Shareholders' Meeting appoints the members of the Compensation Committee individually for a period of office that lasts until the close of the next ordinary Shareholders' Meeting. They may be reappointed. If there is a vacancy or vacancies on the Compensation Committee, the Board of Directors will nominate one or more of its members to serve on the Compensation Committee until the close of the next ordinary Shareholders' Meeting. The Compensation Committee constitutes itself. It appoints one of its members as its Chairman. The Board of Directors issued rules on the organisation of the Compensation Committee and how it passes its resolutions.

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

The Board of Directors 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:

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

The Compensation Committee held one meeting during the 2018/2019 financial year.

Nominating Committee

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

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

The Nominating Committee held no meetings during the 2018/2019 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 Regulations;
- > 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 insiders if unpublished information exists which would probably be of significance in an investor's decision to buy or sell such shares. Furthermore, insiders are not permitted to trade within defined time windows.

Transactions with related parties

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

Information instruments

In addition to the Company's comprehensive external reporting, prior to each of its meetings, the Board of Directors receives detailed documentation

from the Management about the performance of the Company and its advisory organisation. Among the issues reported upon at each meeting of the Board of Directors are financial performance, major portfolio events, liquidity planning, new developments in the advisory organisation, and compliance with own-account and insider trading guidelines. Regular meetings are held between the Chairman of the Board and the Management.

External review mandates

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

- > review of the Corporate Governance section of the annual report;
- > review of the Compensation Report;
- > audit procedures required by law in relation to the reduction of corporate capital of 10.9.2018.

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 2019 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. Martin Mattes has been auditor in charge since the 2012/2013 financial year.

8.2 Audit fees

The fee paid to Ernst & Young Ltd for auditing the Company's Statutory Financial Statements and Group Financial Statements IFRS amounted to CHF 161 000 (previous year: CHF 160 000) during the reporting year. The fee for auditing the capital reduction of 10.9.2018 amounted to CHF 8 000 (previous year: CHF 8 000). The fee for auditing the compliance with bond terms amounted to CHF 8 000 (previous year: CHF 8 000). Additional fees for reviewing the corporate governance disclosures in the annual report, the compensation report as well as other audit-related services amounted to CHF 6 500 (previous year: CHF 6 500).

8.3 Supervision and control instruments with regard to the auditors

The independence and performance of the auditors are reviewed by the Audit Committee. The auditors are instructed to issue audit reports on the Group Financial Statements IFRS and the Statutory Financial Statements, on their review of the corporate governance section of the annual report and the Compensation Report, as well as to run the audit procedures required by law in relation to the reduction of corporate capital of 10.9.2018. 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 taking place in the 2018/2019 financial year.

9. Information policy

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

The Company's contact address is:
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info@hbmhealthcare.com
www.hbmhealthcare.com

10. Inapplicability/negative declaration

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



Hans Peter Hasler

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

Career

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

Directorships

Chairman of the Board of Directors MIAC AG since 2012. Member of the Board of Directors 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 Jukka LLC since 2015, NGR (MONACO) SAM since 2015, Giuliani Group SpA since 2010, and Giuliani SpA since 1999; Member of the Investment Committee Royalty Pharma since 2001, and Mosaix Ventures LLP since 2000 as well as various other directorships within the Nogra-Group



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

Vice Chairman, 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. since 2008 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 Selenity Therapeutics (formerly Viamet Pharmaceuticals Inc.) since 2015, 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, and Pearls Fashion Holding AG since 2009



Dr Andreas Wicki

Chief Executive Officer since 2001, Swiss national

Career

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

Directorships

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



Erwin Troxler

Chief Financial Officer since 2011, Swiss national

Career

Economist and Swiss Certified Public Accountant; since 2005 HBM Healthcare Investments Ltd and HBM Partners Ltd, since 2011 Chief Financial Officer. Prior to this, auditor PricewaterhouseCoopers Ltd (1996 to 2002) and Julius Baer Family Office 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, 16 May 2019

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 2019.

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



Martin Mattes
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

Investment Guidelines



The Investment Guidelines determine the investment activities of HBM Healthcare Investments Ltd and its 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 2018/2019 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. Responsibility for monitoring the Investment Advisor, taking key investment policy decisions, and other inalienable tasks, remains with the Board of Directors of HBM Healthcare. The Investment Advisor manages various collective investment funds which focus on the healthcare sector. As an asset manager of collective investment schemes in accordance with Art. 13 para. 2 f CISA, the Investment Advisor is subject to supervision by the Swiss Financial Market Supervisory Authority FINMA. For details of the advisory agreement, please refer to section 9 of this Compensation Report.

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

2. Responsibility and authority with regard to compensation

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

the full Board of Directors determines the following:

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

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

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

3. Compensation to members of the Board of Directors

3.1 Basis and elements

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

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

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

The Board of Directors set the fixed element of its members' compensation as follows for the 2018/2019 reporting year:

Fixed compensation to Board of Directors (in CHF)	2018/2019	2017/2018
Chairman of the Board of Directors	94 000	94 000
Vice Chairman of the Board of Directors	43 000	43 000
Member of the Board of Directors	28 000	28 000
Board meeting fee, per meeting ¹⁾		
– Chairman	4 000	4 000
– Members	3 000	3 000
Member of the Audit Committee	30 000	30 000
Member of the Compensation Committee	10 000	10 000
Member of the Nominating Committee	0	0

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

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

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

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

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

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

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

During the 2018/2019 reporting period, the six members of the Board of Directors together received compensation totalling CHF 2 518 539 (previous year: CHF 1 483 746). Of this figure, CHF 396 000 (previous year: CHF 412 000) 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 2 034 000 (previous year: CHF 1 017 600). Social security contributions totalled CHF 88 539 (previous year: CHF 54 146).

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

Compensation to Board of Directors 2018/2019 financial year (in CHF)	Committee ¹⁾			Fixed fee	Meeting fee	Committee fee	Variable compensation	Social security contributions & duties ²⁾	Total
	AC	CC	NC						
Hans Peter Hasler, Chairman				94 000	16 000	0	339 000	0	449 000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			43 000	12 000	30 000	339 000	35 389	459 389
Mario G. Giuliani, Member		x		28 000	12 000	10 000	339 000	28 994	417 994
Dr Eduard E. Holdener, Member				28 000	9 000	0	339 000	24 156	400 156
Robert A. Ingram, Member		x	x	28 000	6 000	10 000	339 000	0	383 000
Dr Rudolf Lanz, Member		x	x	28 000	12 000	30 000	339 000	0	409 000
Total Board of Directors				249 000	67 000	80 000	2 034 000	88 539	2 518 539

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

2) Of the social security contributions, CHF 17 862 was paid on fixed compensation and CHF 70 677 on variable compensation.

Compensation to Board of Directors 2017/2018 financial year (in CHF)	Committee ¹⁾			Fixed fee	Meeting fee	Committee fee	Variable compensation	Social security contributions & duties ²⁾	Total
	AC	CC	NC						
Hans Peter Hasler, Chairman		x		94 000	16 000	10 000	169 600	0	289 600
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			43 000	12 000	30 000	169 600	23 996	278 596
Mario G. Giuliani, Member		x		28 000	12 000	10 000	169 600	17 184	236 784
Dr Eduard E. Holdener, Member				28 000	12 000	0	169 600	12 966	222 566
Robert A. Ingram, Member		x	x	28 000	9 000	10 000	169 600	0	216 600
Dr Rudolf Lanz, Member		x	x	28 000	12 000	30 000	169 600	0	239 600
Total Board of Directors				249 000	73 000	90 000	1 017 600	54 146	1 483 746

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

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

4. Compensation to members of Management

4.1 Basis

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

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

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

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

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

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

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

During the 2018/2019 reporting period, the two members of Management together received compensation totalling CHF 319 147 (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 23 147 (previous year: CHF 23 147).

The members of Management received the following compensation:

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

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

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

As at 31 March 2019, 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 2018/2019 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 2018/2019 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 2020, 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 2018/2019 financial year came to CHF 17.3 million (previous year: CHF 14.2 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 2018/2019 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 194.36, and thus above the high water mark of CHF 161.87. Once the variable compensation to the Board of Directors is deducted, a performance fee of CHF 31.9 million is due to the Investment Advisor. At the beginning of the 2019/2020 financial year, the high water mark for all outstanding shares thus increases to CHF 194.36 (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, 16 May 2019

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 2019. 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 2019 of HBM Healthcare Investments Ltd complies with Swiss law and articles 14 - 16 of the Ordinance.

Ernst & Young Ltd



Martin Mattes
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

Financial Report



Balance sheet (CHF 000)	Notes	31.3.2019	31.3.2018
Assets			
Current assets			
Cash and cash equivalents		4 703	6 522
Receivables		26	37
Total current assets		4 729	6 559
Non-current assets			
Investment in subsidiary	(3)	1 417 427	1 253 924
Total non-current assets		1 417 427	1 253 924
Total assets		1 422 156	1 260 483
Liabilities			
Current liabilities			
Liability from performance fee	(3.4.2)	2 034	1 018
Other liabilities		2 457	2 333
Total current liabilities		4 491	3 351
Non-current liabilities			
Financial liabilities	(4)	99 401	99 236
Total non-current liabilities		99 401	99 236
Shareholders' equity			
Share capital	(5.1)	396 720	411 840
Treasury shares	(5.2)	-402	-10 048
Capital reserve	(5.1)	142 093	185 318
Retained earnings		779 853	570 786
Total shareholders' equity		1 318 264	1 157 896
Total liabilities and shareholders' equity		1 422 156	1 260 483
Number of outstanding shares (in 000)		6 957	6 957
Net asset value (NAV) per share (CHF)		189.48	166.43

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

	Notes	2018/2019	2017/2018
Dividend income from investment in subsidiary	(3)	52 000	60 000
Net change in value of investment in subsidiary	(3)	163 503	61 090
Result from investment activities		215 503	121 090
Personnel expenses	(6)	- 2 923	- 1 908
Other operating expenses		- 1 079	- 871
Result before interest and taxes		211 501	118 311
Financial expenses	(4)	- 2 435	- 2 438
Financial income		1	1
Income taxes		0	0
Net result for the year		209 067	115 874
Comprehensive result		209 067	115 874
Number of outstanding shares, time-weighted (in 000)		6 957	7 001
Basic earnings per share (CHF)		30.05	16.55

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

Statement of cash flows for the financial year ended 31 March (CHF 000)	2018/2019	2017/2018
Expenses paid (personnel and other operating expenses)	-2 852	-3 149
Net cash flow from operating activities	-2 852	-3 149
Dividend payment from subsidiary received	52 000	60 000
Net cash flow from investing activities	52 000	60 000
Interest payments paid	-2 269	-2 273
Cash distribution from capital reserve	-38 264	-40 783
Par value repayment	-10 435	0
Purchase of treasury shares	0	-13 387
Net cash flow from financing activities	-50 968	-56 443
Currency translation differences	1	-1
Net change in cash and cash equivalents	-1 819	407
Cash and cash equivalents at beginning of period	6 522	6 115
Cash and cash equivalents at end of period	4 703	6 522

Statement of changes in equity (CHF 000)	Notes	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
Balance as at 31 March 2017 (restated)		427 050	-23 563	237 362	454 912	1 095 761
Comprehensive result					115 874	115 874
Purchase of treasury shares	(5.2)		-12 956			-12 956
Distribution from capital reserve (30.6.2017)	(5.1)			-40 783		-40 783
Capital reduction (14.9.2017)	(5.1)	-15 210	26 471	-11 261		0
Balance as at 31 March 2018		411 840	-10 048	185 318	570 786	1 157 896
Comprehensive result					209 067	209 067
Purchase of treasury shares	(5.2)		0			0
Distribution from capital reserve (29.6.2018)	(5.1)			-38 264		-38 264
Capital reduction (10.9.2018)	(5.1)	-4 680	9 646	-4 966		0
Par value repayment (21.9.2018)	(5.1)	-10 440		5		-10 435
Balance as at 31 March 2019		396 720	-402	142 093	779 853	1 318 264

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 separate financial statements have been prepared as the only IFRS financial statements of HBM Healthcare Investments Ltd ("the 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:

Amendment to IFRS 7 "Financial Instruments: Disclosures" (1 January 2018)

The amended IFRS 7 requires further information on the transition from IAS 39 to IFRS 9.

Amendment to IFRS 9 "Financial Instruments: Measurement of financial assets and liabilities" (1 January 2018)

IFRS 9 replaced IAS 39 and includes requirements that determine recognition, measurement, impairment and derecognition of financial instruments as well as hedge accounting.

Amendment to IFRS 15 "Revenue from Contracts with Customers" (1 January 2018)

The new IFRS 15 harmonises past IFRS rules and those applied under the US GAAP. IFRS 15 contains a new model for recognising revenue arising from contracts with customers. Revenue is recognised when the customer acquires control over the agreed goods and services and is able to obtain the benefits from them. IFRS 15 is not applicable to HBM Healthcare as investment entity.

Amendment to IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (1 January 2018)

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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 material impact on the accounting principles and overall financial positions. This also applies to IFRS 9 as financial instruments are measured at fair value through profit or loss.

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 16 (1 January 2019) – Leases
- > IFRIC 23 (1 January 2019) – Uncertainty over Income Tax Treatments

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

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.

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)	31.3.2019	31.3.2018
CAD	0.7455	0.7395
DKK	0.1495	0.1577
EUR	1.1164	1.1757
GBP	1.2972	1.3370
INR	0.0144	0.0146
SEK	0.1071	0.1144
USD	0.9952	0.9540

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

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

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").

2.7.3 Financial instruments

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

Derivative financial instruments are held for trading purposes and are reported at fair value through profit and loss. For listed derivatives, fair value equals

market value, which is determined by the market closing price as at the balance sheet date. The fair value of unlisted derivatives is determined using customary market methods.

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 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:

Development fair value investment (CHF 000)	2018/2019	2017/2018
Fair value at the beginning of financial year	1 253 924	1 192 834
Increase in value, gross	215 503	121 090
Dividend payment to parent company	-52 000	-60 000
Fair value at the end of financial year	1 417 427	1 253 924

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

Composition net assets (CHF 000)	Notes	31.3.2019	31.3.2018
Cash and cash equivalents		263 702	213 551
Receivables		525	393
Investments	(3.1)		
Private companies		409 571	288 365
Funds		132 574	125 579
Public companies		688 232	749 960
Shares of parent company		15 696	7 403
Financial instruments	(3.2)	259	3 121
Other financial assets	(3.3)	31 978	29 740
Total assets		1 542 537	1 418 112
Financial instruments	(3.2)	-92 224	-147 628
Liability from performance fee	(3.4)	-31 871	-15 942
Other current liabilities		-1 015	-618
Total net assets at fair value		1 417 427	1 253 924

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

Change in net assets at fair value (CHF 000)	Notes	2018/2019	2017/2018
Net result on investments	(3.1)	253 320	190 868
Dividend income		686	140
Net result from financial instruments	(3.2)	59	-33 938
Net result from other financial assets		9 357	-6 515
Net result from shares of parent company		2 487	2 042
Result from investing activities		265 909	152 597
Management fee	(3.4.1)	-17 322	-14 229
Performance fee	(3.4.2)	-31 871	-15 942
Personnel and other operating expenses		-1 282	-1 369
Financial result		69	33
Increase in value, gross		215 503	121 090
Dividend payment to parent company		-52 000	-60 000
Net change in value of investment		163 503	61 090

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

3.1 Investments

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

Development of investments (CHF 000)	Private companies	Funds	Public companies	Total investments
Fair value as at 31 March 2018	288 365	125 579	749 960	1 163 904
Reclassification owing to IPO (Aptinyx)	-6 201		6 201	0
Reclassification owing to IPO (Y-mAbs Therapeutics)	-22 176		22 176	0
Fair value as at 31 March 2018 (after reclassification)	259 988	125 579	778 337	1 163 904
Purchases	102 873	18 486	412 638	533 997
Sales	-33 779	-15 202	-671 863	-720 844
Realised gains	25 528	78	220 269	245 875
Realised losses	-5 518	-379	-108 919	-114 816
Changes in unrealised gains/losses	60 479	4 012	57 770	122 261
Net result on investments	80 489	3 711	169 120	253 320
Fair value as at 31 March 2019	409 571	132 574	688 232	1 230 377

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

Net result on investments comprised the following for the 2018/2019 financial year:

Net result on investments (CHF 000)	Private companies	Funds	Public companies	Total
Gains	87 275	16 393	285 478	389 146
Losses	-6 786	-12 682	-116 358	-135 826
Total 2018/2019 financial year	80 489	3 711	169 120	253 320

The net gains on investments of CHF 253.3 million (previous year: CHF 190.9 million) includes net currency gains of CHF 32.9 million (previous year: net currency losses of CHF 25.6 million).

Private companies	Domicile	Investment currency	Amount disbursed	Changes in reporting period	Amount disbursed	Fair value	Ownership	Fair value	Fair value
			31.3.2018	IC million	31.3.2019	31.3.2019	31.3.2019	31.3.2019	31.3.2018
		IC	IC million	IC million	IC million	IC million	%	CHF 000	CHF 000
Cathay Industrial Biotech	CN	USD	28.0		28.0	125.7	7.9	125 101	87 292
Neurelis	US	USD	8.3	9.5	17.8	37.7	15.0	37 522	7 870
Harmony Biosciences	US	USD	30.0		30.0	32.6	7.6	32 452	31 109
Amicus	CH	EUR	20.0		20.0	20.0	29.0	22 329	23 514
1mg	IN	INR	515.7	357.1	872.8	1452.4	10.5	20 899	7 543
SAI Life Sciences	IN	INR	256.4	192.6	449.0	1343.9	5.3	19 339	6 019
Jianke Pharmaceutical	CN	USD	0.0	14.9	14.9	14.9	3.3	14 803	0
Westmed Holding	US	USD	7.0		7.0	12.4	25.2	12 374	11 862
SpringWorks Therapeutics	US	USD	0.0	12.0	12.0	12.0	3.6	11 942	0
Turning Point Therapeutics	US	USD	0.0	10.0	10.0	10.0	3.3	9 952	0
Vascular Dynamics	US	USD	10.0	1.3	11.3	9.7	13.1	9 657	9 505
FarmaLatam	PA	USD	7.7	1.2	8.9	8.9	70.2	8 830	7 320
Valcare	US	USD	3.5	0.8	4.3	7.1	8.4	7 017	3 339
ConnectRN	US	USD	1.5	2.5	4.0	6.6	20.2	6 557	1 431
Shape Memory Medical	US	USD	3.0	3.0	6.0	6.0	17.4	5 971	2 862
Sphingotec	DE	EUR	0.0	4.5	4.5	4.5	7.1	5 029	0
Cardialen	US	USD	0.0	5.0	5.0	5.0	17.8	4 976	0
Galera Therapeutics	US	USD	0.0	5.0	5.0	5.0	2.0	4 976	0
Forbuis (Formation Biologics)	CA	CAD	6.5		6.5	6.5	9.6	4 809	4 771
Corvidia Therapeutics	US	USD	0.0	4.0	4.0	4.0	3.1	3 981	0
Vitaeris	CA	USD	3.0		3.0	4.0	18.7	3 981	3 816
Sublimity Therapeutics	IE	EUR	0.0	3.5	3.5	3.5	7.1	3 960	0
Complexa	US	USD	2.9	1.1	4.0	4.0	4.7	3 933	2 771
Shriji Polymers	IN	INR	201.0		201.0	268.2	3.0	3 860	3 163
Nuance Biotech	CN	USD	0.0	4.0	4.0	3.7	3.7	3 696	0
Galecto Biotech	DK	EUR	0.0	3.2	3.2	3.2	4.3	3 552	0
Cure Everlife Holdings	MU	USD	0.0	3.0	3.0	3.0	7.8	2 986	0
Everest Medicines	CN	USD	0.0	3.0	3.0	3.0	1.0	2 986	0
BaseHealth	US	USD	2.5		2.5	2.5	6.3	2 488	2 385
iTeos Therapeutics	BE	EUR	0.0	1.6	1.6	1.6	3.8	1 801	0
Amphora Medical	US	USD	2.2	0.4	2.6	0.7	5.5	725	2 074
Adrenomed ¹⁾	DE	EUR	0.0	0.3	0.3	0.3	8.7	381	0
Iconic Therapeutics	US	USD	7.5		7.5	0.0	0.8	0	1 789
TandemLife (Cardiac Assist)	US	USD	4.4	-4.4	0.0	0.0	0.0	0	31 148
Others								6 706	8 405
Total private companies								409 571	259 988

1) So far only the nominal capital has been paid.

Funds	Investment currency	Total commitment	Payments in reporting period	Repayments in reporting period	Cumulative payments 31.3.2019	Cumulative repayments 31.3.2019	Fair value 31.3.2019	Fair value 31.3.2019	Fair value 31.3.2018
			IC million	IC million	IC million	IC million	IC million	IC million	CHF 000
WuXi Healthcare Ventures II	USD	20.0	4.2		17.2	0.6	28.5	28 388	12 974
HBM BioCapital II ¹⁾	EUR	42.0	4.2	5.6	41.2	9.2	20.6	23 009	30 585
MedFocus Fund II	USD	26.0			16.0	15.0	18.8	18 740	17 971
6 Dimensions Capital	USD	25.0	3.2	0.1	16.2	0.1	14.1	13 987	12 243
HBM Genomics	USD	15.0	3.3		12.2	0.0	11.6	11 523	8 137
Tata Capital HBM Fund I	USD	10.0	0.3	4.2	9.4	4.7	8.2	8 177	9 094
BioMedInvest II	CHF	10.0		1.2	10.0	3.0	7.0	7 010	8 840
Hatteras Venture Partners III	USD	10.0			10.0	2.0	5.9	5 853	8 250
BioMedInvest I	CHF	26.0		1.0	26.0	25.6	5.1	5 092	6 994
Galen Partners V	USD	10.0	0.1	1.2	10.4	8.8	4.9	4 865	5 168
Nordic Biotech	DKK	31.0			31.0	221.7	10.6	1 578	2 781
BioVeda China IV	USD	5.0	1.4		1.4	0.0	1.3	1 260	0
C-Bridge Capital IV	USD	10.0	1.4	0.1	1.4	0.1	1.2	1 242	0
Others								1 850	2 542
Total funds								132 574	125 579

1) The fair value of EUR 20.6 million takes into account the fund's cumulative management fees of EUR 5.2 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 31.3.2019	Ownership 31.3.2019	Fair value	Fair value
		31.3.2018	reporting	31.3.2019			31.3.2019	
		Number of shares	period Number of shares	Number of shares			IC	%
Y-mAbs Therapeutics ^{1)P)}	USD	2 486 095	372 460	2 858 555	26.21	8.4	74 563	22 176
Vectura Group	GBP	63 002 869	-21 422 945	41 579 924	0.71	6.3	38 513	65 410
Pacira Pharmaceuticals ^{P)}	USD	1 100 000	-149 738	950 262	38.06	2.3	35 993	32 689
Galapagos	EUR	300 000	-7 858	292 142	103.90	0.5	33 887	28 676
Ultragenyx Pharmaceutical	USD	500 000	-50 000	450 000	69.36	0.8	31 062	24 322
Principia Biopharma ^{1)P)}	USD	0	833 923	833 923	34.00	3.5	28 217	0
Zogenix	USD	400 000	113 219	513 219	55.01	1.2	28 097	15 283
Immunomedics	USD	1 400 000	-88 510	1 311 490	19.21	0.7	25 073	19 513
Alnylam Pharmaceuticals	USD	0	265 616	265 616	93.45	0.3	24 703	0
Argenx (ADR)	USD	250 542	-66 542	184 000	124.84	0.5	22 860	19 227
Argenx	EUR	250 000	-64 000	186 000	110.00	0.5	22 842	19 164
Esperion Therapeutics	USD	400 000	171 257	571 257	40.15	2.1	22 826	27 601
RA Pharmaceuticals	USD	750 000	96 958	846 958	22.40	2.0	18 881	3 799
Acadia Pharmaceuticals	USD	700 000	0	700 000	26.85	0.5	18 705	15 005
AnaptysBio ^{P)}	USD	200 000	46 175	246 175	73.05	0.9	17 897	19 858
ObsEva (ADS) ^{P)}	USD	2 313 330	-926 732	1 386 598	12.79	3.1	17 649	29 782
Arena Pharmaceuticals	USD	250 000	115 000	365 000	44.83	0.7	16 284	9 421
Amicus Therapeutics	USD	844 784	214 277	1 059 061	13.60	0.5	14 334	12 121
Retrophin	USD	433 952	153 197	587 149	22.63	1.4	13 223	9 257
Divis Laboratories	INR	608 000	-135 700	472 300	1 703.10	0.2	11 575	9 695
Coherus Biosciences	USD	577 442	240 000	817 442	13.64	1.2	11 096	6 087
Nicox	EUR	1 673 304	0	1 673 304	5.64	5.6	10 527	17 844
Idorsia	CHF	0	600 000	600 000	17.52	0.5	10 512	0
Uniqure	USD	0	176 822	176 822	59.65	0.5	10 497	0
Albireo Pharma	USD	200 000	119 800	319 800	32.21	2.7	10 251	6 214
Arrowhead Pharmaceuticals	USD	0	550 000	550 000	18.35	0.6	10 044	0
Spring Bank Pharmaceuticals	USD	258 736	400 000	658 736	10.49	4.0	6 877	3 796
Beigene	HKD	0	700 000	700 000	77.20	0.1	6 851	0
Beigene (ADR)	USD	0	50 000	50 000	132.00	0.1	6 568	0
Jubilant Life Sciences	INR	0	608 006	608 006	664.80	0.4	5 816	0
Assembly Biosciences	USD	0	290 727	290 727	19.69	1.1	5 697	0
Dermira	USD	0	400 000	400 000	13.55	0.8	5 394	0
Xenon Pharmaceuticals	USD	0	521 789	521 789	10.16	2.0	5 276	0
Myokardia	USD	0	100 000	100 000	51.99	0.2	5 174	0
Collectis (ADR)	USD	0	269 363	269 363	18.34	0.6	4 916	0
Nabriva Therapeutics	USD	2 334 007	-500 000	1 834 007	2.44	2.6	4 454	11 200
Viking Therapeutics	USD	0	400 000	400 000	9.94	0.6	3 957	0
Paratek Pharmaceuticals ^{P)}	USD	895 000	-187 552	707 448	5.36	2.2	3 774	11 100
Rubius Therapeutics	USD	0	207 592	207 592	18.10	0.3	3 739	0
Alimera Sciences	USD	3 500 000	0	3 500 000	1.06	4.9	3 692	3 439
Solara Active	INR	0	611 806	611 806	418.45	2.5	3 684	0
Hansa Medical	SEK	0	150 000	150 000	225.00	0.4	3 615	0
Laurus Labs	INR	501 698	104 948	606 646	399.55	0.6	3 488	3 690
Vicore Pharma	SEK	1 084 166	857 548	1 941 714	16.30	4.6	3 390	2 077
Aptinyx ^{1)P)}	USD	790 873	-57 322	733 551	4.05	2.2	2 957	6 201
ARMO BioSciences ^{2)P)}	USD	1 591 540	-1 591 540	0	n/a	0.0	0	56 801
Tesaro ²⁾	USD	250 000	-250 000	0	n/a	0.0	0	13 628
AveXis ²⁾	USD	100 000	-100 000	0	n/a	0.0	0	11 790
Others							18 802	241 471
Total public companies							688 232	778 337
Total investments							1 230 377	1 163 904

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 Principia Biopharma.

2) The company was acquired by another company during the 2018/2019 financial year. HBM Healthcare sold all of its shares.

The following tables show the gains and losses (realised and unrealised) on single investments for the 2018/2019 and 2017/2018 financial years. Investments are listed separately only if the change in value in terms of the investment currency results

Gains on investments			2018/2019
(realised and unrealised per company) ¹⁾			
	IC	IC million	CHF 000
Private companies			
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
Total private companies			87 275
Funds			
WuXi Healthcare Ventures II	USD	10.7	11 279
Others			5 114
Total funds			16 393
Public companies			
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
Inflarx	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
Total public companies			285 478
Total gains on investments			389 146

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

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

Gains on investments			2017/2018
(realised and unrealised per company) ¹⁾			
	IC	IC million	CHF 000
Private companies			
Cathay Industrial Biotech	USD	47.7	43 328
TandemLife (Cardiac Assist)	USD	29.5	28 003
True North Therapeutics	USD	10.3	9 542
Others			7 332
Total private companies			88 205
Funds			
Others			8 587
Total funds			8 587
Public companies			
Advanced Accelerator Applications	USD	108.2	105 186
ARMO BioSciences	USD	36.7	34 743
AnaptysBio	USD	35.1	33 390
Esperion Therapeutics	USD	21.7	19 569
Neurocrine Biosciences	USD	17.5	15 499
Argenx	EUR	12.2	14 757
Argenx (ADR)	USD	11.9	11 252
Ascendis Pharma	USD	15.0	13 867
Immunomedics	USD	10.3	9 471
Homology Medicines	USD	6.9	6 506
ObsEva	USD	7.2	5 656
AveXis	USD	6.2	5 591
Divis Laboratories	INR	283.5	3 831
Others			21 225
Total public companies			300 543
Total gains on investments			397 335

Losses on investments		2018/2019	
(realised and unrealised per company) ¹⁾			
	IC	IC million	CHF 000
Private companies			
Others			6 786
Total private companies			6 786
Funds			
HBM BioCapital II	EUR	4.0	5985
Others			6697
Total funds			12682
Public companies			
Esperion Therapeutics	USD	13.2	12119
Puma Biotechnology	USD	8.5	8017
Nicox	EUR	5.7	7317
Genmab	DKK	35.4	6192
Clovis	USD	6.4	5835
Paratek Pharmaceuticals	USD	6.0	5471
Nabriva	USD	6.0	5467
AnaptysBio	USD	6.3	5381
Assembly Biosciences	USD	5.6	5365
Probiodrug	EUR	3.5	4096
Dynavax	USD	4.0	3920
Celgene	USD	4.5	3538
Idorsia	CHF	3.4	3448
Others			40 192
Total public companies			116358
Total losses on investments			135826

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

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

3.2 Financial instruments

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

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

Holdings of financial instruments (CHF 000)	31.3.2019	31.3.2018
Other financial instruments		
Purchased call and put options	259	3 121
Total long financial instruments	259	3 121
Market hedging		
Sale of ETFs	92 224	140 532
Other financial instruments		
Sale of shares	0	7 096
Total short financial instruments	92 224	147 628

As at the balance sheet date, the general market risk derived from public investments was partially hedged. Worth CHF 92.2 million, the hedge consisted of the short sale of 1.0 million units of the SPDR S&P Biotech ETF (Exchange Traded Fund).

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

Income from financial instruments (CHF 000)	2018/2019	2017/2018
Gains from other financial instruments	2 513	4 042
Total gains from financial instruments	2 513	4 042
Losses from currency hedging transactions	0	-1 973
Losses from market hedging transactions	-81	-28 008
Losses from other financial instruments	-2 373	-7 999
Total losses from financial instruments	-2 454	-37 980
Net result from financial instruments	59	-33 938

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
Amount as at 31 March 2018	29 740	4 039	33 779
Addition	7 659	0	7 659
Payments received	- 10 225	- 1 427	- 11 652
Realised and unrealised gains/losses	4 804	633	5 437
Amount as at 31 March 2019	31 978	3 245	35 223

Of the total book value as at 31 March 2019, CHF 32.0 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 3.2 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 31.3.2019	Cash flows minimum	Cash flows maximum	Expected period of payment
mtm laboratories	14.5	0.8	25.7	2019
TandemLife (Cardiac Assist)	8.7	4.7	11.9	2019 – 2021
Nereus ¹⁾	7.5	0.0	26.5	2019 – 2025
True North Therapeutics	4.5	0.0	12.0	2019 – 2020
Interventional Spine	0.0	0.0	4.2	2019 – 2020
Tripex (former Mpex) ²⁾	0.0	0.0	8.8	from 2019 onwards
Total	35.2	5.5	>89.1	

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 2018/2019 financial year, the management fee and the performance fee were as follows:

Management fee (CHF 000)	2018/2019	2017/2018
Management fee to HBM Partners	17 322	14 229
Total management fee	17 322	14 229

Performance fee (CHF 000)	2018/2019	2017/2018
Full amount of performance fee	33 905	16 960
Share variable compensation to Board of Directors	-2 034	-1 018
Total performance fee	31 871	15 942

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 194.36 exceeding the high water mark of CHF 161.87 per share for the 2018/2019 financial year. After deducting the variable compensation to the Board of Directors, a performance fee of CHF 31.9 million is due to the Investment Advisor. With the beginning of the 2019/2020 financial year, the high water mark for all outstanding shares stands at CHF 194.36 (adjusted for any future dividend payments or capital repayments made to shareholders).

3.5 Off-balance-sheet commitments

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

Investment commitments (CHF 000)	31.3.2019	31.3.2018
HBM BioCapital I+II	1 182	6 143
Other funds	37 412	30 050
Private companies	52 445	9 946
Total investment commitments	91 039	46 139

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 102.7 million (previous year: CHF 105.0 million) with a carrying amount of CHF 99.4 million (previous year: CHF 99.2 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 396.72 million (previous year: CHF 411.84 million), divided into 6 960 000 registered shares (previous year: 7 040 000) at a par value of CHF 57.00 each (previous year: CHF 58.50). At the Ordinary Shareholders' Meeting of 25 June 2018, the decision was made to cancel 80 000 of the Company's own shares. The capital reduction was entered in the Canton Zug Commercial Register on 10 September 2018.

Along with the capital reduction, the Shareholders' Meeting also approved a withholding tax-exempt distribution from the capital reserve of CHF 5.50 per share, which was paid on 29 June 2018. Further, the Shareholders' Meeting approved an additional cash distribution of CHF 1.50 per share by means of a par value repayment. The cash payment to Shareholders was made on 21 September 2018 after expiration of the legal deadlines.

5.2 Treasury shares

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

The Company holds 2 910 of its own shares (previous year: 82 910) as at the balance sheet date of 31 March 2019. During the 2018/2019 financial year, none of the Company's own shares were acquired (previous year: 108 410 at an average price of CHF 119.50).

Holdings from second trading line (Number of own shares)	2018/2019	2017/2018
Beginning of financial year	82 910	234 500
Acquired via second trading line under share buy-back programme	0	108 410
Capital reduction owing to cancellation of own shares	-80 000	-260 000
End of financial year	2 910	82 910

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd. holds 92 980 treasury shares (previous year: 51 411), acquired via the regular trading line. During the 2018/2019 financial year, the Subsidiary acquired a total of 296 389 treasury shares via the regular trading line at an average price of CHF 162.99 per share (previous year: 465 494 at CHF 121.59) and sold 254 820 treasury shares at an average price of CHF 165.69 per share (previous year: 493 782 at CHF 121.72).

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 2019.

Shareholding

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

Personnel expenses were composed as follows during the reporting year:

Personnel expenses (CHF 000)	2018/2019	2017/2018
Fixed compensation to Board of Directors	396	412
Variable compensation to Board of Directors	2 034	1 018
Wages and salaries	296	296
Social insurance contributions and duties	113	77
Other personnel expenses	84	105
Total personnel expenses	2 923	1 908

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

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

7. Taxes

HBM Healthcare does not capitalise deferred tax assets relating to the Company's loss carry-forwards because it is unlikely, given the tax status of the Company and its subsidiary on the Cayman Islands, that such loss carry-forwards could be used in the near future. The Company had no deductible loss carry-forwards as at 31 March 2019 (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 a few portfolio companies are located,

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

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

8.3 Liquidity risks

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

pected 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 ¹⁾	Total contractual cash flows	Due within 3 months	Due within 3–12 months	Due within 12–24 months	Due within >24 months
Balance sheet liabilities						
Other current liabilities and financial instruments	129.5	129.5	35.7	93.8	0.0	0.0
Non-current financial liabilities	99.4	109.4	0.0	2.3	2.3	104.8
Total liabilities as at 31 March 2019	228.9	238.9	35.7	96.1	2.3	104.8
Total liabilities as at 31 March 2018	266.8	279.1	18.2	151.6	2.3	107.0
Off-balance-sheet investment commitments ²⁾						
Expected drawdowns HBM BioCapital I+II	1.2	1.2	0.0	1.2	0.0	0.0
Expected drawdowns other funds	37.4	37.4	3.5	11.5	12.4	10.0
Expected maturities investment commitments to private companies	52.4	52.4	31.0	21.4	0.0	0.0
Total investment commitments as at 31 March 2019	91.0	91.0	34.5	34.1	12.4	10.0
Total investment commitments as at 31 March 2018	46.1	46.1	3.8	23.3	11.3	7.7

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, 95 percent of HBM Healthcare' total assets were subject to foreign currency risks (previous year: 96 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 2019 (CHF million)	Fair value	Foreign exchange rates	
		+10%	-10%
Net assets in USD	1056.9	105.7	-105.7
Net assets in GBP	42.9	4.3	-4.3
Net assets in EUR	153.6	15.4	-15.4
Net assets held in other foreign currencies	94.1	9.4	-9.4
31 March 2018 (CHF million)			
Net assets in USD	921.3	92.1	-92.1
Net assets in GBP	66.0	6.6	-6.6
Net assets in EUR	158.0	15.8	-15.8
Net assets held in other foreign currencies	82.5	8.3	-8.3

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").

The IPOs of Aptinyx and Y-mAbs Therapeutics resulted in assets amounting to CHF 28.4 million being reclassified from level 3 to level 1 during the 2018/2019 financial year.

	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobser- vable inputs"	Total
Assets and liabilities at fair value as at 31 March 2019 (CHF million)				
Investments				
Private companies			409.6	409.6
Funds			132.6	132.6
Public companies	688.2			688.2
Shares of parent company	15.7			15.7
Financial instruments		0.3		0.3
Other financial assets			32.0	32.0
Total assets at fair value	703.9	0.3	574.2	1278.4
Financial instruments	92.2			92.2
Total liabilities at fair value	92.2	0.0	0.0	92.2
Assets and liabilities at fair value as at 31 March 2018 (CHF million)				
Investments				
Private companies			288.4	288.4
Funds			125.6	125.6
Public companies	750.0			750.0
Shares of parent company	7.4			7.4
Financial instruments		3.1		3.1
Other financial assets			29.7	29.7
Total assets at fair value	757.4	3.1	443.7	1204.2
Financial instruments	147.6			147.6
Total liabilities at fair value	147.6	0.0	0.0	147.6

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 303.6 million (previous year: CHF 253.9 million). As at the balance sheet date, there were no receivables overdue, and there were no recorded losses on receivables during the 2018/2019 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.

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 2018/2019 financial year (previous year: CHF 249 000). In addition, the Board of Directors received meeting fees totalling CHF 67 000 (previous year: CHF 73 000). 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 90 000). The Board of Directors' performance fee for the 2018/2019 financial year totalled CHF 2 034 000 (previous year: CHF 1 017 600). The social security contributions and duties paid by the Company on these fees came to a total of CHF 88 539 (previous year: CHF 54 146).

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 2018/2019 reporting year, these payments totalled CHF 319 147 (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

As of mid May 2019, the fair value of the investment in Cathay Industrial Biotech was increased by USD 61 million based on a secondary market transaction. No further events occurred between the balance sheet date and the date of approval by the Board of Directors of the Company of these Group Financial Statements that had an impact on the informational value of the latter. The Board of Directors of the Company approved these Group Financial Statements on 16 May 2019.

To the General Meeting of
HBM Healthcare Investments Ltd, Zug

Zurich, 16 May 2019

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 2019 and the statement of comprehensive 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 2019, and its financial performance and its cash flows for the year then ended are 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 subsidiary

<p>Risk</p>	<p>As a result of the uncertainty in the measurement of the underlying investments in private, non-listed companies as well as venture capital funds in general, the estimated fair value according to the International Private Equity and Venture Capital Valuation Guidelines (the “IPEV Guidelines”) may differ from the values that would have been used had an active market existed for the investments.</p> <p>The uncertainties relating to contingent purchase price considerations (milestone payments) from the sale of investments are classified as financial assets measured at fair value through profit and loss. The Company applies a valuation technique based on estimated probabilities of the occurrence of such milestone payments as well as risk-adjusted discount rates to estimate fair values. The determination of such input factors requires management’s judgement and could result in values that differ from values calculated using other acceptable measures.</p> <p>These risks can have an impact on the fair value of the investment in the subsidiary (HBM Healthcare Investments (Cayman) Ltd.).</p>
<p>Our audit response</p>	<p>We performed substantive audit procedures on the determination of the fair value of the investment in subsidiary, which include the following procedures:</p> <p>We performed a walkthrough of the Company’s process regarding evaluating and purchasing of investments in private companies and their valuation in the group financial statements and tested relevant key internal controls.</p> <p>We reviewed the internal documentation on evaluating significant investments and the rationale for management’s judgement, estimates and assumptions as documented therein.</p> <p>We inquired of management regarding the developments of significant and higher risk investments.</p> <p>We obtained and read the latest available financial statements for selected portfolio companies and venture capital funds and performed additional substantive audit procedures of significant fair value adjustments and their compliance with IFRS 13 and IPEV guidance.</p> <p>We reviewed the fair value calculation of investment receivables including underlying terms of share purchase agreements and applied inputs and assumptions such as milestone probabilities and discount rates.</p> <p>Furthermore, we performed substantive procedures on payments received during the period.</p> <p>Our audit procedures did not lead to any reservations concerning 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

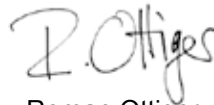
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of group financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd



Martin Mattes
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

Balance sheet (CHF 000)	Notes	31.3.2019	31.3.2018
Assets			
Current assets			
Cash and cash equivalents		4 703	6 522
Receivables		26	37
Total current assets		4 729	6 559
Non-current assets			
Investment in subsidiary		846 000	846 000
Total non-current assets		846 000	846 000
Total assets		850 729	852 559
Liabilities			
Current liabilities			
Liability from performance fee		2 034	1 018
Other liabilities		2 457	2 333
Total current liabilities		4 491	3 351
Non-current liabilities			
Financial liabilities		100 000	100 000
Total non-current liabilities		100 000	100 000
Shareholders' equity			
Share capital		396 720	411 840
Treasury shares	(2.4)	-402	-10 048
Legal capital reserve			
Reserve from capital brought in		331	38 595
Legal retained earnings			
General legal reserve		85 410	85 410
Reserve for treasury shares ¹⁾	(2.4)	15 342	6 979
Voluntary retained earnings			
Free reserve		66 737	80 061
Retained earnings		182 100	136 371
Total shareholders' equity		746 238	749 208
Total liabilities and shareholders' equity		850 729	852 559

1) For treasury shares held by Subsidiary.

Statement of income for the financial year ended 31 March (CHF 000)	2018/2019	2017/2018
Income		
Financial income	1	1
Income from participations	52 000	60 000
Total income	52 001	60 001
Expenses		
Financial expenses	2 270	2 274
Personnel expenses	2 923	1 908
Administration expenses	996	846
Direct taxes	83	25
Total expenses	6 272	5 053
Net result for the year	45 729	54 948

Statement of changes in equity (CHF 000)	Number of shares	Share capital	Treasury shares	Reserve from capital brought in	General legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
Balance as at 31 March 2016	7 700 000	450 450	-27 298	119 418	80 000	14 392	100 042	12 310	749 314
Purchase of own shares			-35 798						-35 798
Allocation to legal reserve (24.6.2016)					5 410			-5 410	0
Distribution from capital reserve (30.6.2016)				-40 040					-40 040
Capital reduction (2.9.2016)	-400 000	-23 400	39 533				-16 133		0
Increase in reserve for treasury shares ¹⁾						-6 267	6 267		0
Net result for the year								74 523	74 523
Balance as at 31 March 2017	7 300 000	427 050	-23 563	79 378	85 410	8 125	90 176	81 423	747 999
Purchase of own shares			-12 956						-12 956
Distribution from capital reserve (30.6.2017)				-40 783					-40 783
Capital reduction (14.9.2017)	-260 000	-15 210	26 471				-11 261		0
Increase in reserve for treasury shares ¹⁾						-1 146	1 146		0
Net result for the year								54 948	54 948
Balance as at 31 March 2018	7 040 000	411 840	-10 048	38 595	85 410	6 979	80 061	136 371	749 208
Purchase of own shares			0						0
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 ¹⁾						8 363	-8 363		0
Net result for the year								45 729	45 729
Balance as at 31 March 2019	6 960 000	396 720	-402	331	85 410	15 342	66 737	182 100	746 238

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 counter value of those shares' acquisition costs.

3. Non-current financial liabilities

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

4. Treasury shares

Holdings from second trading line (Number of own shares)	2018/2019	2017/2018
Beginning of financial year	82 910	234 500
Acquired via second trading line under share buy-back programme	0	108 410
Capital reduction owing to cancellation of own shares	-80 000	-260 000
End of financial year	2 910	82 910

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

The Company holds 2 910 of its own shares (previous year: 82 910) as at the balance sheet date of 31 March 2019. During the 2018/2019 financial year, none of the Company's own shares were acquired (previous year: 108 410 at an average price of CHF 119.50).

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd. holds 92 980 treasury shares (previous year: 51 411), acquired via the regular trading line. During the 2018/2019 financial year, the Subsidiary acquired a total of 296 389 treasury shares via the regular trading line at an average price of CHF 162.99 per share (previous year: 465 494 at CHF 121.59) and sold 254 820 treasury shares at an average price of CHF 165.69 per share (previous year: 493 782 at CHF 121.72).

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 2019:

Shareholding

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

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

(CHF 000)	Capital as at per 31.3.2019	Capital as at 31.3.2018
HBM Healthcare Investments (Cayman) Ltd., Cayman Islands	846 000	846 000

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

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

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

7. Shares held by the Board of Directors and Management

Shares held directly or indirectly by governing bodies (number of registered shares)	31.3.2019	31.3.2018
Board of Directors		
Hans Peter Hasler, Chairman	6 500	13 000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	4 000	4 000
Mario G. Giuliani, Member	1 100 612	1 100 612
Dr Eduard E. Holdener, Member	1 400	1 400
Robert A. Ingram, Member	1 000	1 000
Dr Rudolf Lanz, Member	3 300	3 300
Management		
Dr Andreas Wicki, CEO	63 250	61 850
Erwin Troxler, CFO	7 250	7 250

8. Other disclosures required by law

8.1 Declaration of full-time equivalents

The annualised average number of full-time equivalents employed by the company during the 2018/2019 financial year was less than one (previous year: less than one).

8.2 Contingent liabilities

As at 31 March 2019, the Company did not have any outstanding contingent liabilities (previous year: none).

8.3 Business review and statement of cash flows

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

9. Events after the balance sheet date

The Board of Directors of the Company authorised these Statutory Annual Financial Statements on 16 May 2019. No events occurred between the balance sheet date and the date of approval of the annual financial statements that impact on the informational value of the latter.

1. Appropriation of earnings

The Board of Directors proposes to the Ordinary Shareholders' Meeting that retained earnings of CHF 182.1 million be used as follows:

Retained earnings (CHF)	2018/2019
Beginning of financial year	136 370 716
Net result for the year	45 729 131
End of financial year (carried forward)	182 099 847

2. Cash distribution from a par value repayment

The Board of Directors proposes a cash distribution of CHF 7.50 per share eligible for dividend (up to a maximum of CHF 51.5 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, 16 May 2019

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 2019.



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 2019 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 subsidiary

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

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

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

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

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

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

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

We obtained and read the latest available group financial statements for selected portfolio companies and venture capital funds and performed additional substantive audit procedures of significant fair value

adjustments and their compliance with IFRS 13 and IPEV guidance.

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

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

Our audit procedures did not lead to any reservations concerning 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



Martin Mattes
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

hbmhealthcare.com

Internet address

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 2019:

Shareholding

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

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 161.87 (CHF 194.36 as of 1.4.2019)

Board of Directors and Management

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

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

Investment Advisor

HBM Partners Ltd, Zug www.hbmpartners.com

**Credits**

Editorial

HBM Healthcare Investments Ltd

Photography

Nicolas Duc, 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.

