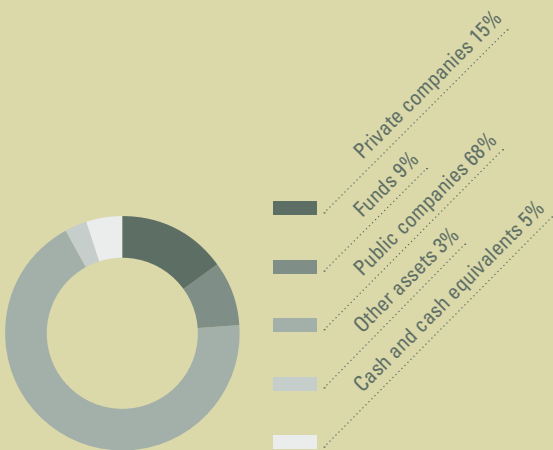


At a Glance

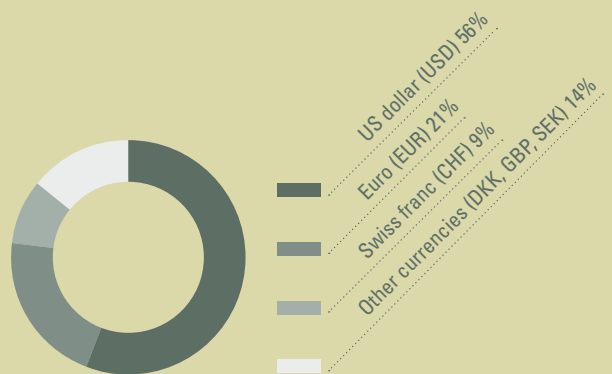
Profile HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas. The company holds and manages an international portfolio of some twenty-five promising companies. Many of these companies have their lead products already available on the market or at an advanced stage of development. The focus of investment is on follow-

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



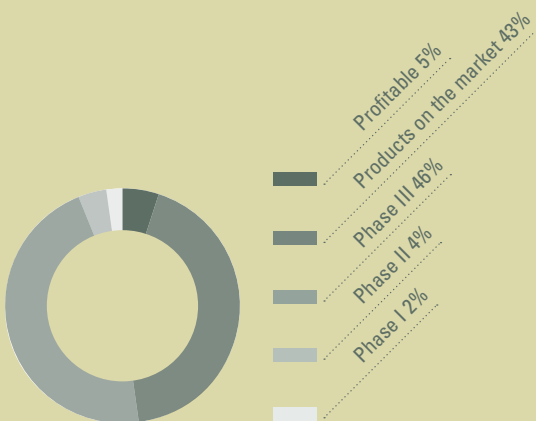
Allocation of assets

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



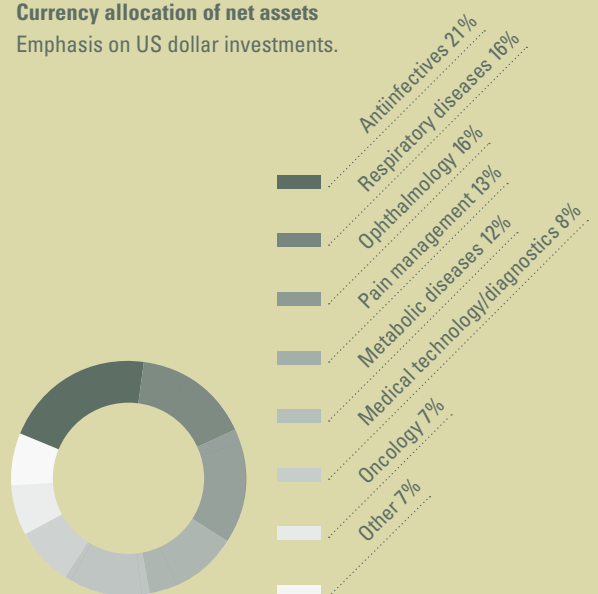
Currency allocation of net assets

Emphasis on US dollar investments.



Development phase of portfolio companies²⁾

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



Therapeutic area of the lead products of portfolio companies¹⁾

Broadly diversified areas of activity.

1) Total investments as at 31.3.2014: CHF 849.3 million.

Key Figures and Performance

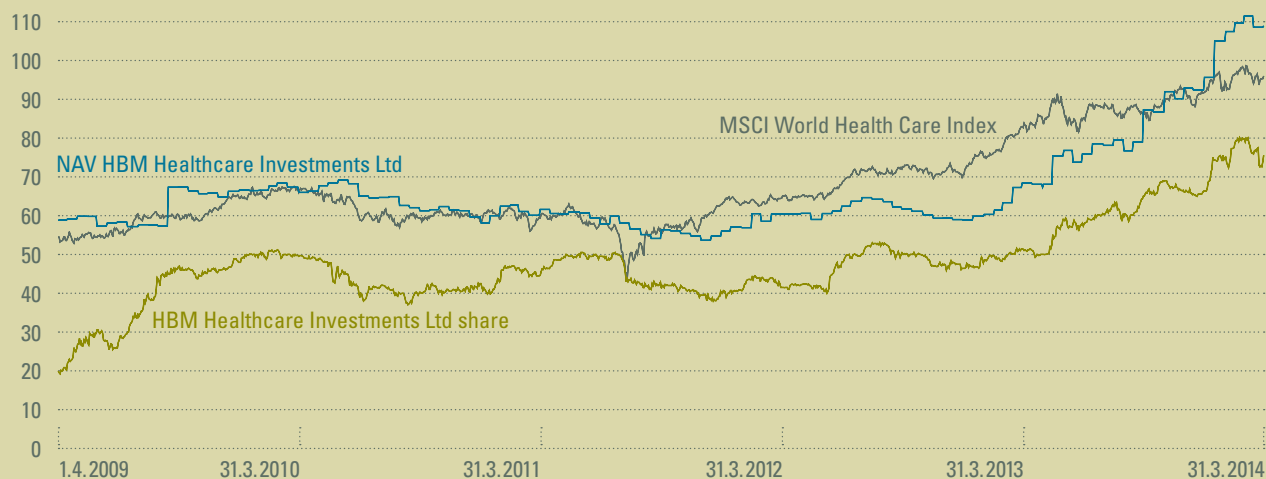
Key Figures		31.3.2014	31.3.2013	restated 31.3.2012	restated 31.3.2011	restated 31.3.2010
Net assets	CHF million	920.3	601.0	546.4	593.2	666.1
Investments in private companies and funds		218.8	233.4	276.3	370.8	533.1
Investments in public companies		630.5	278.9	196.7	83.4	100.3
Cash and cash equivalents		46.5	51.7	41.2	155.4	128.9
Net cash flow from investing activities	CHF million	42.8	33.2	-39.9	146.3	186.1
Net result for the year	CHF million	353.5	67.0	-22.2	-53.1	66.8
Basic earnings per share	CHF	40.98	7.52	2.35	-5.39	6.46
Net asset value (NAV) per share	CHF	108.76	68.35	60.40	61.56	65.94
Share price	CHF	75.50	51.35	41.50	44.60	49.50
Discount		-30.6%	-24.9%	-31.3%	-27.6%	-24.8%
Distribution per share	CHF	3.00 ¹⁾	1.50			
Distribution yield		4.0%	2.9%			
Shares issued	Registered shares (m)	8.9	9.2	9.8	10.2	10.7
Shares outstanding	Registered shares (m)	8.5	8.8	9.0	9.6	10.1

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

Performance	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010
HBM Healthcare Investments Ltd					
Net asset value (NAV)	59.1%	13.2%	-1.9%	-6.6%	12.1%
Registered share HBMN	47.0%	23.7%	-7.0%	-9.9%	125.0%
Relevant market index in Swiss francs					
MSCI World Health Care Index	15.7%	28.6%	8.6%	-10.0%	21.3%

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

in CHF, indexed (12.7.2001 = 100)



Record HBM Healthcare Investments generated an annual profit of CHF 354 million.

Performance The HBMN share price rose by 47 percent and closed at CHF 75.50 at the end of March 2014.

Profit The investments in Basilea and Pacira contributed CHF 97 million and CHF 60 million respectively to profits.

Success HBM Healthcare Investments participated in two of the five largest healthcare IPOs in the US in 2013.

Yield The good financial result allows the cash distribution to shareholders to be doubled in 2014.



Aerial view, Zug

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

Dear Shareholders

The healthcare sector was in the spotlight of investor interest during the financial year just ended, and it presented itself in sparkling form. The MSCI World Health Care Index advanced by around 16 percent in Swiss franc terms. Within the sector, generics manufacturers and biotechnology firms put on the best performance, with both posting increases in value of around 40 percent. Large-cap European and US pharmaceutical companies gained around 13 percent on average for the period, while medical technology companies were almost 8 percent higher.

The strong price gains posted by biotechnology stocks were supported by the approval and market launch of new and innovative drugs with considerable sales potential, in particular for the treatment of hepatitis C, cancer, multiple sclerosis and a number of orphan diseases. Of the 27 drugs receiving first-time approval in 2013, more than half are thought to have a sales potential of more than one billion US dollars annually.

The biotech sector has established itself as the backbone of innovation within the pharmaceutical industry. This development is reflected in the many partnerships between biotechnology firms and established pharmaceuticals companies, and takeovers of the former by the latter. Moreover, many smaller companies have taken the opportunity presented by a favourable market climate to go public. All in all, corporate acquisitions in the healthcare sector doubled in volume year-on-year in 2013, to over USD 280 billion. Capital-raising in the form of IPOs or follow-on financing rounds also rose, by around 50 percent compared with 2012, to more than USD 42 billion.

We believe that the outlook for the sector remains intact and attractive, despite the April correction on the financial markets of some of the rapid gains made during the first calendar quarter of 2014. There is still strong demand for new and innovative drugs for patient treatment, and major pharmaceutical companies have an ongoing need to expand or revitalise their product ranges.

In view of its maturity and the areas it covers, the HBM Healthcare Investments portfolio is in an excellent position, and offers innovative products for a variety of indications and applications. The successful development of these innovative products will result in further value growth.



"The biotech sector has established itself as the backbone of innovation in the pharmaceutical industry."

Hans Peter Hasler, Chairman

Review of the 2013/2014 financial year

In an upbeat market, HBM Healthcare Investments profited from progress at a number of portfolio companies to close the 2013/2014 financial year with a record net profit of CHF 353.5 million. Net asset value (NAV) per share rose by 59.1 percent to CHF 108.76 during the reporting period, while the share price moved 47 percent higher, closing March 2014 at CHF 75.50. In addition, a par value repayment of CHF 1.50 per share was made to shareholders. This corresponds to a yield of three percent on the share price at the beginning of the financial year.

The good result for the year was driven primarily by positive developments at HBM Healthcare Investments' five largest holdings:

Basilea Pharmaceutica had a whole raft of good news to report. At the end of September, the company published positive phase-III data for isavuconazole, a drug for the treatment of severe fungal infections. European approval for the ceftobiprole antibiotic for the treatment of lung infections followed in October. Previously, Basilea had reached agreement with the Biomedical Advanced Research and Development Authority (BARDA), which forms part of the US Department of Health and Human Services, to develop the new BAL30072 antibiotic against multiple drug-resistant, gram-negative pathogens. The deal could net Basilea up to USD 89 million. Furthermore, data from phase-I trials and pre-clinical modelling for Basilea's anti-cancer agent BAL101553 show that the drug is well tolerated, and indicate tumour-fighting activity in models for treatment-resistant breast cancer.

Holding more than CHF 270 million in cash and cash equivalents, as well as distribution rights and contractual claims to substantial milestone and royalty payments from two drugs that have been approved and one that is close to approval, and with two interesting projects with major value-creation potential at an early stage of clinical development, Basilea is becoming a growth stock to watch in the European biotechnology universe.

Basilea's market capitalisation rose by 75 percent during the reporting year. HBM Healthcare Investments took the rising share price as an opportunity to reduce its substantial holding by around half, to 12 percent of the company. The stake in Basilea contributed some CHF 97 million (including dividend) to the overall result.

Ophthotech Corporation conducted a USD 175 million private financing round in May 2013. An additional USD 250 million in new capital was raised in an IPO in September 2013 and a further capital increase in February of this year. The company thus has sufficient financing to conduct the broad-based phase-III trial of its Fovista™ compound, which is being tested in combination with a range of anti-VEGF therapies to treat age-related macular degeneration. The initial findings of the study are expected in 2016. Going public made Ophthotech's value-generation potential visible to investors. The company's share price rocketed by 588 percent during the reporting year, generating a book profit of CHF 92 million for HBM Healthcare Investments.

Pacira Pharmaceuticals increased revenues from its long-acting analgesic Exparel™ steadily from quarter to quarter, to achieve sales of USD 76 million for calendar 2013. It went on to report Exparel™ sales of USD 34 million for the first quarter of 2014 alone. At the end of March 2014, the company received FDA approval for a second production plant, which will raise manufacturing capacity to USD 400 million annual sales. Pacira is already planning the next step in expanding production capacity for Exparel™ to USD 700 million, and has entered into a strategic partnership with Patheon to this end. Pacira's share valuation rose by 142 percent during the reporting year, which contributed CHF 60 million to the HBM Healthcare Investments result.

British company **Skyepharma** made significant progress during the year under review, and laid the groundwork for its turnaround. The market launch of asthma compound Flutiform® in Europe got off to a successful start. Skyepharma's distribution partner has also been granted approval for the Japanese market. In addition, GlaxoSmithKline received EU and US approval for a number of inhalation products – Breo™, Anoro™ und Relvar™ – from which Skyepharma will earn significant royalties. At the end of March 2014, the company announced a capital increase of GBP 112 million, and a redemption offer for its outstanding convertible bond. The transaction will turn Skyepharma into a virtually debt-free enterprise with a first-class profitability outlook.



"We continuously analyse attractive new companies, a small number of which will be accepted into our portfolio."

Dr Andreas Wicki, Chief Executive Officer

During the financial year just ended, HBM Healthcare Investments acquired GBP 50 million (par value) of the Skyepharma bond issue on attractive terms on the market, and doubled its equity stake in the company to just under 25 percent. Progress on the operational front sent Skyepharma's market capitalisation soaring by 416 percent during the reporting year, and the market value of the convertible bond also recovered. These equity and bond holdings generated a book profit of CHF 58 million for HBM Healthcare Investments.

PTC Therapeutics, which specialises in rare hereditary diseases, raised a total of USD 270 million in new capital via its IPO and a further capital increase. The funds are being used for the continued development of the company's principal compound Ataluren, which is currently being tested in two major phase-III trials for the treatment of Duchenne muscular dystrophy (DMD) and cystic fibrosis (CF) in patients in whom the disorders were caused by nonsense mutations. The findings of these trials are expected in 2015 (DMD) and 2016 (CF). The IPO also revealed some of PTC's value-generation potential to investors. The company's share valuation rose by 118 percent, producing a book profit of CHF 27 million.

Other portfolio holdings made an aggregated CHF 32 million net profit contribution. The value of the Company's principal investment currency, the US dollar, weakened by 6.8 percent against the Swiss franc, which reduced the annual result by just under CHF 40 million.

Investment activity

In addition to the aforementioned investment in the public portfolio company Skyepharma, HBM Healthcare Investments took the opportunity presented by the positive market environment to participate in a number of IPOs. Holdings in the existing portfolio companies of Ophthotech and PTC, in particular, were increased further as they went public.

In addition, HBM Healthcare Investments invested selectively in a small number of attractively valued listed equities.



"HBM Healthcare Investments achieved a record net annual profit of CHF 353.5 million in 2013/2014."

Erwin Troxler, Chief Financial Officer

In the portfolio of private companies, a new investment of CHF 24.5 million was made in the French company Advanced Accelerator Applications (AAA). AAA is a fast-growing company that specialises in molecular nuclear medicine. With over 270 employees in Europe, AAA generated sales of EUR 56.6 million (+27% year-on-year) and EBITDA of EUR 14 million (+49% year-on-year) during calendar 2013. Furthermore, AAA is conducting a broad-based phase-III trial of Lutathera[®], a compound to treat gastro-entero-pancreatic neuroendocrine tumours (GEP-NET). The product has significant sales potential. A further CHF 12 million was dedicated to follow-on financing for existing private portfolio companies.

Attractive dividend yield

The Company returned a total of CHF 35.1 million to shareholders during the 2013/2014 financial year: CHF 12.9 million as a cash dividend in the form of a par value repayment of CHF 1.50 per share, and a further CHF 22.2 million through the repurchase of 341,000 of the Company's own shares as part of a capital reduction.

Despite these measures, the positive market environment and further efforts to broaden the Company's shareholder base, the HBM Healthcare Investments share is still trading at a discount to its NAV. The Board of Directors is therefore looking into a number of other options to eliminate oversupply on the share side, for the benefit of long-term shareholders.

The Board of Directors will be proposing to the forthcoming Ordinary Shareholders' Meeting that a withholding tax-exempt cash dividend of CHF 3.00 per share be paid from reserves from capital brought in for the 2013/2014 financial year just ended. Based on the share price at end-March 2014, this corresponds to a yield of 4 percent.

Outlook

A number of portfolio companies began to show visible signs of their value-generation potential during the past financial year. In many cases, the fulfilment of this potential will depend on the outcome of ongoing clinical trials. Where public companies are concerned, we must also expect occasional market-driven periods of significant share price volatility. Portfolio composition will therefore be monitored closely, and optimised on the basis of risk, future value-generation, and liquidity considerations.

The quality of the portfolio has continued to mature, and displays a relatively low development risk in terms of the percentage of invested assets.

Demand for new and innovative therapies for unsatisfactory or even untreatable conditions remains high. We are stepping up our activities in fast-growing healthcare markets such as India. We continuously analyse promising new companies, a small number of which will be accepted into our portfolio. We therefore expect to continue generating an attractive return for our shareholders in the years to come.

Hans Peter Hasler
Chairman of the Board of Directors

Dr Andreas Wicki
Chief Executive Officer

Erwin Troxler
Chief Financial Officer

8 Portfolio Companies and their Markets

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

Private companies

	Fair value (CHF m)	As % of net assets
Cathay Industrial Biotech	24.8	2.7 %
Advanced Accelerator Applications	24.4	2.6 %
Interventional Spine	15.0	1.6 %

Public companies^{P)}

Skyepharma ¹⁾	124.8	13.6 %
Basilea Pharmaceutica	124.4	13.5 %
Ophthotech	114.9	12.5 %
Pacira Pharmaceuticals	103.2	11.2 %
PTC Therapeutics	56.5	6.1 %
Swedish Orphan Biovitrum	21.8	2.4 %
Enanta Pharmaceuticals	17.7	1.9 %

P) All positions originate from the private companies portfolio.

1) Position includes bond and shares.

Cathay Industrial Biotech



Industrial biotechnology

Industrial biotechnology uses biotechnological methods for industrial processes, such as the production of organic materials and additives for the chemical, manufacturing, food and agricultural industries. Bacteria, yeasts or enzymes are deployed in industrial processes, usually at a large scale. Industrial biotechnology aims to replace conventional production methods with novel biotechnological methods in order to reduce energy input, raw materials usage, or improve the quality and properties of the end product. Usually production costs and/or the environmental burden of the production process can be reduced. For these reasons, industrial biotechnology is a growth market with great potential.

Domicile	Shanghai, China
Development phase	Products on the market
Amount invested (m)	USD 28.0
Fair value (m)	USD 28.0
Ownership	12.6%
As % of net assets	2.7%
Board member	William Keller

Cathay Industrial Biotech

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

Cathay Industrial Biotech produces speciality chemicals, and is one of the biggest suppliers of special nylons for the production of toothbrush bristles.

Advanced Accelerator Applications

Molecular nuclear medicine

Molecular nuclear medicine (MNM) uses trace amounts of radioactive substances, known as radiopharmaceuticals, to diagnose, treat and monitor diseases. MNM is non-invasive and provides physicians with important information that would otherwise be unavailable or would require surgery or invasive diagnostic tests. The technique works by injecting the patient with targeted radiopharmaceuticals that accumulate in specific organs or lesions, and help to detect complex disease patterns such as cancer, cardiovascular and neurological disorders at an early stage. MNM also uses radiopharmaceuticals for therapeutic purposes. These emit electrons locally for a short period and destroy malignant tissue, while leaving the surrounding healthy tissue unaffected.

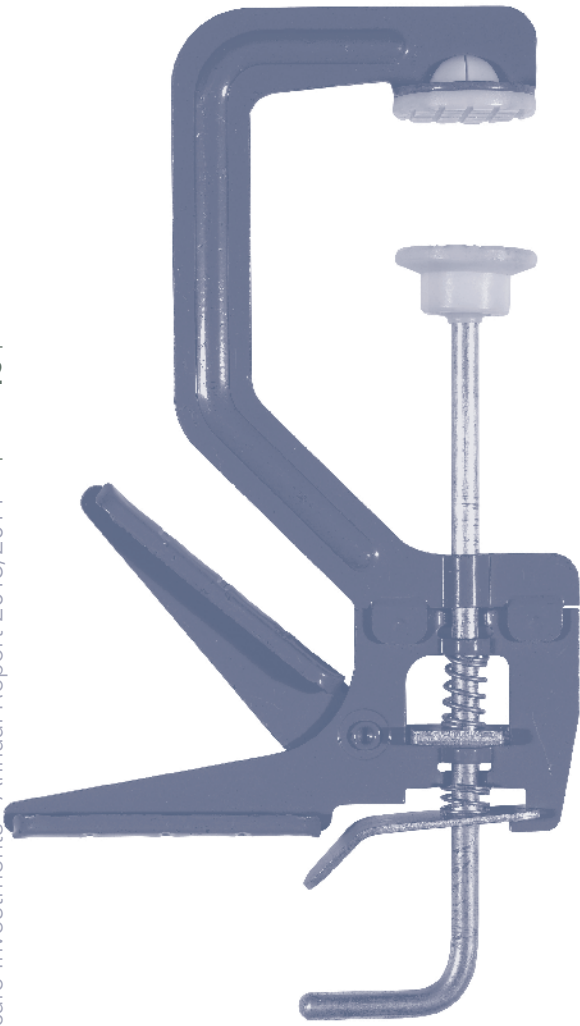
Domicile	Bourg, France
Development phase	Products on the market
Amount invested (m)	EUR 20.0
Fair value (m)	EUR 20.0
Ownership	6.1%
As % of net assets	2.6%

Advanced Accelerator Applications (AAA)

AAA develops, produces and distributes diagnostic and therapeutic products in the molecular nuclear medicine field. Over the past 10 years, this European pharmaceutical company has grown successfully from a niche producer of radiopharmaceuticals – radioactive drugs for diagnosis and therapy – into a specialist pharmaceutical firm with a promising pipeline in the fields of molecular imaging and personalised medicine. AAA is now a European market leader in PET radiopharmaceuticals. PET (positron emission tomography) is a state-of-the-art diagnostic technique that is currently used mainly in clinical oncology, cardiology and neurology. AAA was founded in 2002 as a spin-off from the "European Organisation for Nuclear Research" (CERN) in Geneva. It currently has 17 production and R&D facilities for diagnostic and therapeutic products. In 2013, the company generated revenues of EUR 56.6 million with over 290 employees in 11 countries. AAA's main development candidate, Lutathera[®], is currently undergoing phase-III trials for the treatment of neuroendocrine tumours in the gastro-entero-pancreatic field, an orphan disease. Lutathera[®] integrates diagnostic and therapeutic properties within the same compound. Using imaging, physicians are able to monitor and evaluate the effectiveness of treatment following each injection at no additional cost.

Advanced Accelerator Applications is a specialist in molecular nuclear medicine. It develops, produces and distributes radiopharmaceuticals for diagnostic and therapeutic applications.





Orthopaedics – back pain

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

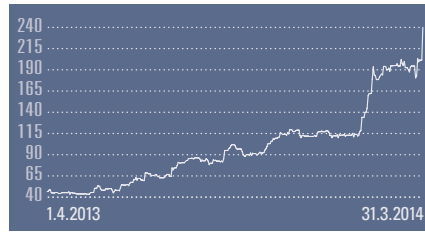
Domicile	Orange County, CA, USA
Development phase	Products on the market
Amount invested (m)	USD 18.0
Fair value (m)	USD 17.0
Ownership	31.1 %
As % of net assets	1.6 %
Board member	Dr Thomas Thaler

Interventional Spine

Interventional Spine develops, produces and distributes patented implants and the related application instruments for the treatment of back pain. All Interventional Spine products are implanted in a minimally invasive procedure, which simplifies treatment and shortens convalescence, thereby lowering costs. During the past year, the company has focused more closely on products to fuse vertebrae. Approved in Europe and in the United States, the PerX360° System™ is already generating sizeable sales. PerX360°™ bundles several of Interventional Spine's key products: Opticage™, an expandable interbody implant to fuse vertebrae, Optiport™, a percutaneous tissue dilation instrument, and BONE-LOK®, a transpedicular compression device. In combination, these technologies permit the full, 360° fusion of two adjacent vertebrae via two incisions of less than 12 millimetres in length. To date, more than 600 Opticage™ and PerX360°™ implants have been performed worldwide. These technologies enable spine surgeons to improve short and long-term outcomes considerably for patients, while reducing time spent in hospital and post-operative pain. Recently issued patents strengthen Interventional Spine's proprietary rights to the PerX360°™ procedure and its application instruments. Broad-based demand positions Interventional Spine as the market leader and provider of the least invasive surgical option for spine surgeons and their patients.

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

Domicile	London, UK
Development phase	Products on the market
Listed on	LSE
Market capitalisation (m)	GBP 111
Fair value (m)	GBP 84.7 ¹⁾
Share price	GBP 240
Ownership	24.9%
As % of net assets	13.6%



Drug delivery

Drug delivery technologies ensure that pharmaceutical agents are transported efficiently and applied effectively in the body. In doing so, they factor in elements such as the dosage and chemical formulation of a drug, as well as the route and method of administration. Drug delivery technologies are aimed at improving the effectiveness and safety of medication by controlling its release profile, absorption, distribution and excretion. Current research is focused on targeted delivery – meaning that the compound acts on only a specific target area within the body – and on formulations offering delayed release, with which the compound is released in a controlled way over a certain period.

Skyepharma

Skyepharma develops oral and inhalation pharmaceutical products. The company uses its patented drug delivery technology to develop new compounds and to reformulate existing products to modify the way in which they are released. Skyepharma's Geomatrix™ and Geoclock™ technologies permit the development of controlled or timed-release versions of oral pharmaceutical products. Technologies in the inhalation segment include compound formulation and technical devices such as metered dose inhalers (MDI) and dry powder inhalers (DPI). Skyepharma is expanding its pipeline with innovative products from proprietary research, as well as from its collaboration with partners. Skyepharma also licences its proprietary key controlled release technologies for use in oral and inhalation compounds to other pharmaceutical companies. Skyepharma's 14 approved products are distributed in more than 80 countries around the world by renowned pharmaceutical partners such as GlaxoSmithKline, Sanofi and Mundipharma/Kyorin. In 2013, Skyepharma boosted revenues by 25 percent to GBP 62.6 million. Of this figure, 72 percent is recurring revenue from long-term product supply contracts and royalties. At the end of March 2014, the company announced the early redemption of its corporate bond issue, with a face value of GBP 83.2 million, as well as a capital increase of GBP 112 million. The share price rose by 416 percent during the reporting year.



Skyepharma uses its pioneering drug delivery technologies to develop new and to improve existing oral and inhalation pharmaceutical products.

¹⁾The position includes bond and shares.

Basilea Pharmaceutica



Infectious diseases

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

Basilea's formulations fight serious infectious diseases and protect against harmful bacteria, fungi and viruses.

Domicile	Basle, Switzerland
Development phase	Products on the market
Listed on	listed on SIX Swiss Exchange
Market capitalisation (m)	CHF 1,037
Fair value (m)	CHF 124.4
Share price	CHF 100.9
Ownership	12.0 %
As % of net assets	13.5 %



Basilea Pharmaceutica

Basilea Pharmaceutica develops and markets drugs to treat bacterial and fungal infections, and cancer. Last September, Basilea published positive top-line data on its phase-III trial of isavuconazole (SECURE) against aspergillosis, to treat conditions caused by moulds and other filamentous fungi. The study achieved its primary endpoint, in that the drug was tested against the standard therapy with voriconazole, and proven to be non-inferior. With a potentially improved safety profile and its broad spectrum of activity, isavuconazole may be able to overcome a series of limitations affecting the current standard therapy for invasive fungal infections. It is possible that approval for both indications will follow in the second half of 2015. Basilea recently announced the renegotiation of its licensing agreement for isavuconazole with its partner, Astellas Pharma Inc. The new agreement gives Basilea full rights to isavuconazole in all markets outside of the USA and Canada. In return, Basilea will give up its co-promotion rights in North America, but remains entitled to milestone payments and royalties on sales at the same level as in the past. The ceftobiprole antibiotic has received European approval for the treatment of hospital-acquired and of community-acquired pneumonia in adults. In the USA, the company is holding talks with the health authorities on the next steps towards a possible market approval. Pipeline products, the potentially broad-spectrum anti-tumour drug BAL101553, and BAL30072, a novel antibiotic, made good progress during the year and are now at the phase-II and phase-I clinical development stages respectively. The share price rose by 75 percent during the reporting period.

Diseases of the retina

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



Domicile	Princeton, NJ, USA
Development phase	Phase III
Listed on	NASDAQ
Market capitalisation (m)	USD 1,191
Fair value (m)	USD 129.9
Share price	USD 35.7
Ownership	10.9%
As % of net assets	12.5%
Board member	Axel Bolte



Ophthotech

Ophthotech is specialised in the clinical development of drugs for the treatment of severe disorders of the retina. In September 2013, the Company floated its shares on NASDAQ. Ophthotech now has sufficient financing to conduct an extensive pivotal phase-III trial of its most advanced product development candidate, Fovista™. It involves testing the Fovista™ compound, an anti-PDGF aptamer, in combination with the leading anti-VEGF therapies Lucentis® (Roche/Novartis), Eylea® (Regeneron/Bayer) and Avastin® (Roche), in 1,900 patients in more than 200 study centres worldwide. First top-line results are expected to be released in 2016. Ophthotech recently presented study data on another promising compound, Zimura™, a monoclonal antibody which targets complement factor C5. Here, Zimura™ was tested in a phase-II trial in combination with other anti-VEGF therapies in patients with wet AMD. A phase II/III trial is now planned to test the compound in patients with geographic atrophy, a severe form of dry age-related macular degeneration, for which no therapy yet exists. The share price rose by 62 percent following the IPO, and the company's valuation rose by 588 percent during the reporting year to the end of March 2014.

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

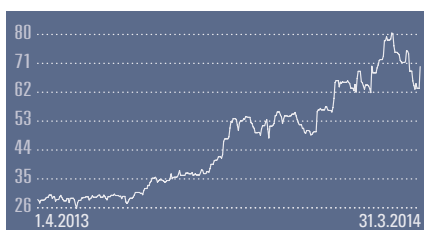
Pacira Pharmaceuticals



Pharmacokinetics

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

Domicile	Mountain View, CA, USA
Development phase	Products on the market
Listed on	NASDAQ
Market capitalisation (m)	USD 2,357
Fair value (m)	USD 116.7
Share price	USD 69.9
Ownership	5.0 %
As % of net assets	11.2 %
Board member	Dr Andreas Wicki



Pacira Pharmaceuticals

Pacira Pharmaceuticals, a company listed on NASDAQ, launched Exparel™ on the US market in April 2012. Exparel™ is a new formulation of the tried and tested painkiller bupivacaine, and provides long-lasting, local post-operative pain control. This can significantly reduce the administration of opiates to patients, thus resulting in fewer side effects and substantial cost savings. Exparel™ generated revenues of USD 76 million for Pacira during the 2013 financial year just ended. The formulation has the potential to be used in a wide range of applications. Exparel™ is currently administered in the orthopaedic field (hip and knee replacement) and for soft-tissue applications. Depending on fields of use, and how they are extended, analysts forecast peak sales potential of significantly upwards of USD 500 million. In view of strong demand and the possible extension of the drug to other applications, Pacira is expanding its production capacity. The company recently received US FDA approval for a second manufacturing suite to take capacity to a total of USD 400 million annually. Pacira has also entered into a strategic partnership with Patheon for a third facility which will raise manufacturing capacity to USD 700 million in two to three years' time. Exparel™ is based on Pacira's patented DepoFoam® platform. The DepoFoam® technology's controlled and long-lasting drug delivery reduces patient pain and side effects. The company's market capitalisation rose by 142 percent during the reporting year. At the end of March 2014, the share price was ten times its level at the IPO in February 2012.

Pacira's technology improves existing drugs and allows long-lasting and targeted pain relief after surgery.

PTC Therapeutics

Domicile	South Plainfield, NJ, USA
Development phase	Phase III
Listed on	NASDAQ
Market capitalisation (m)	USD 788
Fair value (m)	USD 63.8
Share price	USD 26.1
Ownership	8.1%
As % of net assets	6.1%
Board member	Axel Bolte



Orphan diseases

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



PTC Therapeutics

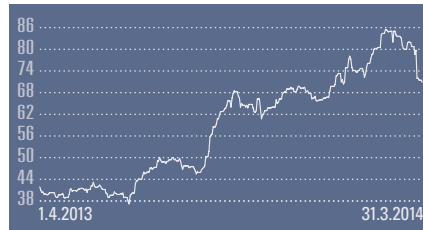
Based on a patented technology platform, PTC Therapeutics develops drugs for the treatment of rare genetic disorders. The company went public on NASDAQ in June 2013. In April 2013, a phase-III trial of PTC's lead product candidate, ataluren, was initiated to confirm the compound's effectiveness in patients with nonsense-mutation Duchenne/Becker Muscular Dystrophy (nmDBMD). A further confirmatory pivotal phase-III trial in patients with nonsense-mutation cystic fibrosis (CF) will begin soon. The initial findings are expected in 2015 for nmDBMD, and in 2016 for CF. PTC owns all marketing rights to ataluren globally. In about 10 to 15 percent of children suffering from muscular dystrophy, the disease's cause is found in a non-sense mutation (nmDBMD), for which ataluren is able to provide relief. Treatment with ataluren also addresses about 5 to 10 percent of all cystic fibrosis patients, which translates to a market potential of several hundred million dollars, if approval is granted. At the beginning of this year, PTC Therapeutics announced that its joint programme with partners Roche and the SMA Foundation for research into spinal muscular atrophy (SMA) in children had entered the first stage of clinical development. The drug has been developed to tackle the cause of SMA, insufficient levels of the SMN protein. PTC Therapeutics' share price has increased by 74 percent since the IPO on 20 June 2013. The company's share valuation rose by 118 percent during the reporting year.

PTC develops drugs with unmet medical need to treat diseases for which there are still no satisfactory treatment options.

Swedish Orphan Biovitrum



Domicile	Stockholm, Sweden
Development phase	Phase III
Listed on	NASDAQ OMX
Market capitalisation (m)	SEK 19,246
Fair value (m)	SEK 159.7
Share price	SEK 70.9
Ownership	0.8 %
As % of net assets	2.4 %



Swedish Orphan Biovitrum (Sobi)

Sobi is an international biopharmaceutical company which specialises in rare diseases. Sobi's pipeline consists of three phase-III development programmes in the areas of haemophilia and neonatology. The drug to treat haemophilia B (rFIXFc), Alprolix™, which has been developed with Sobi's partner Biogen Idec, was approved for the North American market at the end of March. Market approval is also expected soon for the second pipeline candidate, Eloctate™, for the treatment of haemophilia A (rFVIII Fc). Trials with children are currently ongoing in Europe, with approval likely in 2015 or 2016. Sobi holds exclusive marketing rights for Europe, while Biogen Idec holds the rights for North America and the rest of the world. Each partner is entitled to royalties from the other on product sales in markets covered by that partner. The third compound in clinical phase-III development, Kiobrina®, which is intended to support growth and development in premature infants, failed to meet its primary endpoint in a European trial. Sobi markets its own Kineret® and Orfadin® products, and also distributes a portfolio of speciality pharmaceuticals for the treatment of rare diseases on behalf of its partners. An additional part of the company's revenue stream derives from the manufacture of the active protein components of the drug ReFacto AF®/XYNTHA®, which is sold by Pfizer for the treatment of haemophilia A. In 2013, Sobi generated revenues of SEK 2.2 billion (EUR 253 million) with a workforce of around 550. The share price rose by 69 percent during the reporting period.

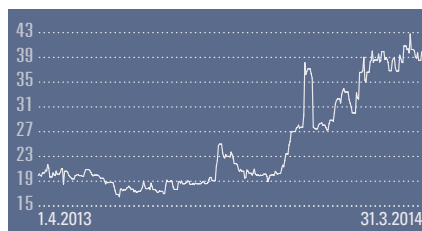
Specialty pharmaceuticals

Specialty pharmaceuticals refer to pharmaceuticals used to treat diseases diagnosed by a specialist, often connected to a hospital, where the patient's treatment is controlled by those specialists. Drugs for the diagnosis, prevention or treatment of rare diseases are known as orphan drugs and form part of the market for speciality pharmaceuticals. Rare diseases affect only small groups of patients, but are often life-threatening or chronically debilitating. Some 7,000 rare diseases are known, contrasting with only around 400 approved treatments for them. Examples of rare diseases include haemophilia, malignant melanoma, thrombocythaemia, ovarian cancer, and various congenital metabolic diseases.

Swedish Orphan Biovitrum is focused on developing and marketing speciality pharmaceuticals and orphan drugs that are prescribed by specialists.

Enanta Pharmaceuticals

Domicile	Watertown, MA, USA
Development phase	Phase III
Listed on	NASDAQ
Market capitalisation (m)	USD 735
Fair value (m)	USD 20.0
Share price	USD 40.0
Ownership	2.7 %
As % of net assets	1.9 %



Viral liver infection (hepatitis C)

Hepatitis is a viral infection of the liver. Frequently, the condition is triggered by the hepatitis C virus (HCV). The virus is typically passed on through contact with the blood or other body fluids of an infected person. The hepatitis C virus is the major cause of chronic liver disease, including cirrhosis, organ failure and cancer. The disease is usually chronic and develops over a period of 20 to 30 years, with the majority of infected people having no symptoms. Worldwide, approximately 150 million people are chronically infected with the hepatitis C virus, and thus have an increased risk of liver cirrhosis and liver cancer. Over 350,000 people die each year from hepatitis C liver disease. Currently approved therapies display limited effectiveness, as well as side effects. There is significant market potential for new and improved therapies. Furthermore, thanks to improved diagnostic capabilities and more diagnosed patients, the current worldwide market of around USD 3.5 billion could grow to well over USD 10 billion.



Enanta Pharmaceuticals

Enanta develops drugs against infectious diseases. Its most promising product candidate, ABT-450, a protease inhibitor, is being developed as a combination therapy jointly with AbbVie, the pharmaceutical spin-off from Abbott Labs, and is the subject of several clinical phase-III trials. Together with AbbVie, Enanta is pursuing 4 different approaches. All of them exclude pegylated interferon, which means that the drug will be available in oral form, as tablets, and injections will no longer be necessary. This is a major improvement compared with today's standard therapy. An application for marketing approval for the combination therapy, which features a 3 direct-acting antiviral regimen to treat genotype 1 patients (the largest patient population), is to be submitted to the US health authority, the FDA, in the near future. Approval is expected towards the end of 2014. Study results published to date for genotype 1 patients, and for new patients and those who have already been treated, show overall cure rates of 90 percent and above. Cure rates even in difficult-to-treat groups of patients with liver cirrhosis were between 92 and 96 percent. The AbbVie/Enanta combination therapy thus displays an effectiveness and safety profile that is similar to the companies' main competitor, Gilead Sciences, which has already launched a therapeutic product successfully on the market. AbbVie owns all distribution rights worldwide to the AbbVie/Enanta combination therapy, and bears all development costs. In return, Enanta receives substantial milestone payments and the right to sales-based royalties. Enanta's share price has risen by 285 percent since the company's IPO in March 2013. The increase during the reporting year was 220 percent.

Together with AbbVie, Enanta is working on four different development approaches, to bring to market a safe and effective drug to treat the hepatitis C virus.

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

Introduction

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

This Corporate Governance Report contains the information, effective 31 March 2014, that is required by the "Directive on Information Relating to Corporate Governance (DCG)" issued by SIX Swiss Exchange, and is structured in accordance with that Directive.

The "Ordinance against Excessive Compensation in Stock Exchange-Listed Companies (VegüV)" entered into force on 1 January 2014. This report refers to the organisational structure and articles of association valid for the 2013/2014 financial year which closed on 31 March 2014. The forthcoming Ordinary Shareholders' Meeting, scheduled for 20 June 2014, will decide on changes to the articles of association which are required under the provisions of the "Ordinance against Excessive Compensation in Stock Exchange-Listed Companies (VegüV)".

1. Group structure and shareholders

1.1 Group structure

HBM Healthcare Investments ("Group") holds and manages an international portfolio of some 25 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 wholly-owned subsidiary HBM Healthcare Investments (Cayman) Ltd, Cayman Islands.

HBM Healthcare Investments Ltd

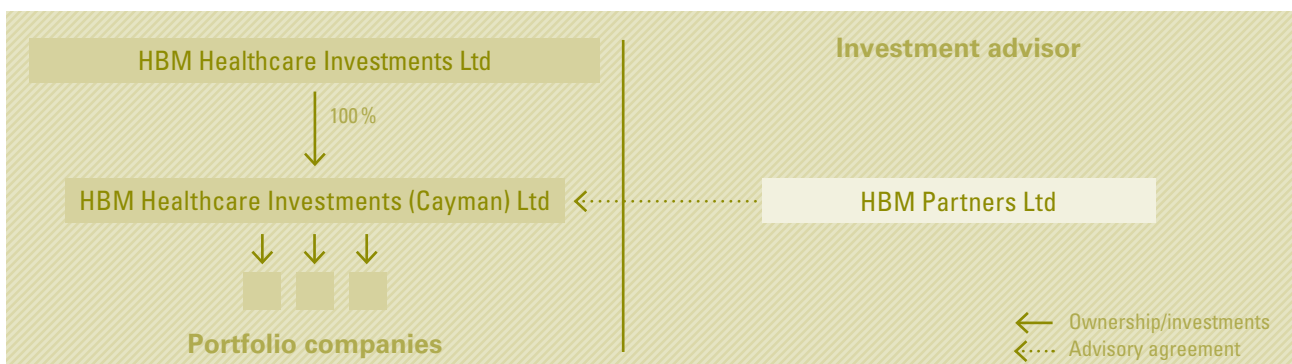
HBM Healthcare Investments Ltd is a holding company established under Swiss law and domiciled in Zug. The objective of the company is to purchase, hold and sell positions in other companies, as well as to manage and finance such positions.

The Company's shares are listed on SIX Swiss Exchange. For further information about the shares, please refer to the "Investor Information" section on page 68.

HBM Healthcare Investments (Cayman) Ltd

All investments in portfolio companies are held via HBM Healthcare Investments (Cayman) Ltd, some of them indirectly via the subsidiaries HBM Biomedicine (Cayman) Ltd, based in the Cayman

Group structure



Islands, and HBM Private Equity India, based in the Republic of Mauritius, which are both wholly owned by HBM Healthcare Investments (Cayman) Ltd.

The share capital of HBM Healthcare Investments (Cayman) Ltd was CHF 846 million as at 31 March 2014.

1.2 Investment advisor

The role of investment advisor to HBM Healthcare Investments (Cayman) Ltd was performed by HBM Partners (Cayman) Ltd during the 2013/2014 financial year. HBM Partners Ltd will assume this role as of the 2014/2015 financial year, starting on 1 April 2014.

HBM Partners Ltd

HBM Partners Ltd, based in Zug, Switzerland, fulfils the role of investment advisor and provides a variety of services to HBM Healthcare Investments (Cayman) Ltd and its subsidiaries under the terms of the advisory agreement. HBM Partners Ltd provides defined advisory services, specifically the identification and evaluation of possible investment targets, the monitoring of existing investments, and the assessment of potential exit strategies.

1.3 Significant shareholders

As at the balance sheet date, the Company had 894 registered shareholders. Shareholders are institutional and private investors.

For details of shareholders with equity holdings of 3 percent or more, see note 6.3 to the Consolidated Financial Statements on page 52.

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

2. Capital structure

2.1 Share capital and changes to share capital

The Company's share capital of CHF 520,650,000 consists of 8,900,000 fully paid up registered shares with a par value of CHF 58.50 each. No share certificates are issued.

A review of the Company's changes in capital since 31 March 2011 is provided in the parent company's "Development of shareholders' equity", see page 63.

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 10 percent of the total number of registered shares pursuant to the Commercial Register. A number of purchasers acting in a group or in a coordinated manner in order to circumvent registration restrictions are deemed to be a single share purchaser. The Company may also refuse entry in the share register if the share purchaser does not explicitly confirm 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 shares represented at the Ordinary Shareholders' Meeting.

3. Board of Directors

3.1 Members of the Board of Directors

As at 31 March 2014, the Board of Directors was composed of the following members:

First elected

Board of Directors

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

Due to the "Ordinance against Excessive Compensation in Stock Exchange-Listed Companies (VegÜV)", entered into force on 1 January 2014, the Ordinary Shareholders' Meeting, scheduled for 20 June 2014, will decide on the composition of the Board of Directors and its members as well as its committees. All members of the Board of Directors will stand for re-election. Further information on the members of the Board of Directors is given on pages 28 to 30.

3.2 Internal organisation

The Board of Directors constitutes itself. It appoints the Chairman and the Vice Chairman, as well as a Secretary, who does not necessarily have to be a member of the Board of Directors. 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 may also be passed in writing or by telephone conference, without a meeting of the Board of Directors being held. Circular resolutions must be unanimous in order to be valid.

4 half-day meetings of the Board of Directors took place during the 2013/2014 financial year. The Company's Chief Executive Officer and Chief Financial Officer also attended all Board meetings.

Audit Committee

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

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

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

The members of the Audit Committee are 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 current members of the Audit Committee are:

Audit Committee

Prof. Dr Dr h.c. mult. Heinz Riesenhuber	2001
Dr Rudolf Lanz	2003

First appointed
to the committee

The Audit Committee held 3 half-day meetings during the 2013/2014 financial year. All of the meetings were also attended by the Company's CEO and CFO, as well as by Thomas Heimann, in his capacity as the Audit Committee's secretary and the Company's financial controller. The members of the Audit Committee report to the full Board of Directors on the issues they have discussed. Minutes of Audit Committee meetings are sent for information to all members of the Board of Directors.

Nominating Committee

The Nominating Committee was established in September 2008. It is concerned with the composition of the Board of Directors and, 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.

Nominating Committee

Dr Rudolf Lanz	2008
Robert A. Ingram	2008

First appointed
to the
committee

The Nominating Committee did not hold any meetings during the 2013/2014 financial year.

3.3 Authorities and responsibilities of the Board of Directors and Management

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

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

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

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

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

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

3.4 Information and control instruments with regard to Management

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

- > the Investment Guidelines, see page 33;
- > the Operations Manual, which governs the investment and disposal processes and the monitoring of portfolio companies;
- > guidelines on own-account trading for members of staff;
- > guidelines on trading in the Company's own shares for members of staff.

Guidelines on own-account trading

The Company has issued restrictive guidelines for members of HBM Healthcare Investments' governing bodies on share transactions for their own accounts. These guidelines also apply to HBM Partners Ltd and its subsidiaries ("HBM Partners") and staff, as well as to HBM Partners' contractual partners and their staff. In principle, own-account transactions 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 Investments' 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 12 to the Consolidated Financial Statements on pages 58 and 59.

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;
- > audit procedures required by law relating to the reduction of corporate capital.

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 2014, the Management was composed of the following members:

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

Further information on the members of Management is given on page 31.

4.2 Advisory agreements

HBM Healthcare Investments (Cayman) Ltd has entered into an advisory agreement with HBM Partners (Cayman) Ltd. HBM Partners Ltd will assume this role as of the 2014/2015 financial year, starting on 1 April 2014. The agreement obliges HBM Partners Ltd to provide services in connection with the investment activities of HBM Healthcare Investments. While HBM Partners Ltd will provide some of these services directly, it has delegated the provision of defined advisory services to contractual partners. Specifically, these are the identification and evaluation of possible investment targets, the monitoring of existing investments and the assessment of potential exit strategies. The advisory agreement runs until 30 June 2015 and will be renewed automatically for a period of twelve months if it is not terminated by notice. Any notice of termination must be served at least twelve months before the agreement expires. HBM Healthcare Investments (Cayman) Ltd paid HBM Partners (Cayman) Ltd, HBM Partners Ltd as of the new 2014/2015 financial year starting on 1 April 2014, a quarterly management fee and an annual performance fee, subject to the high water mark principle. Detailed information on the core elements of the advisory agreement and on the scope of remuneration is provided in note 8 to the Consolidated Financial Statements on pages 52 and 53.

5. Remuneration and share allotments

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

Details of the remuneration paid to serving members of governing bodies, as well as how this remuneration is determined, can be found in note 12.1 to the Consolidated Financial Statements on pages 58 and 59 as well as in the notes to the Parent Company Financial Statements on page 65.

5.2 Shares owned by members of governing bodies

Details of the shares owned by serving members of governing bodies can be found in the notes to the Parent Company Financial Statements on page 66.

6. Shareholder co-determination rights

6.1 Voting rights

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

6.2 Submission of agenda items

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

conduct a special audit are not subject to this regulation. No advance notice is required to propose a motion in connection with matters already tabled for discussion.

6.3 Entries in the share register

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

7. Auditors

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

The Ordinary Shareholders' Meeting appoints the Company's auditors for each financial year. Ernst & Young Ltd was 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.

7.2 Audit fees

The fee paid to Ernst & Young Ltd for auditing the Company's statutory and consolidated financial statements amounted to CHF 152,000 (previous year: CHF 171,500) during the fiscal year. The fee for auditing the capital reduction amounted to CHF 7,000 (previous year: CHF 9,000). Additional fees for reviewing the corporate governance disclosures in the annual report and other audit-related services amounted to CHF 3,000 (previous year: CHF 6,200).

7.3 Supervision and control instruments with regard to the auditors

The independence and performance of the auditors are reviewed by the Audit Committee. The auditors are instructed to produce audit reports on the con-

solidated and statutory annual financial statements, as well as review reports on the corporate governance section of the annual report. In addition, the Board of Directors receives a management letter from the auditors if required, and a comprehensive report following the annual audit. These documents are discussed by the Audit Committee with the auditors. Representatives of the auditors took part in 2 of the total of 3 Audit Committee meetings during the past financial year.

8. Information policy

Every year, the Company publishes an annual report and 3 quarterly reports. The Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) is the Company's official publication for announcements. Moreover, the current net asset value (NAV) is published twice monthly on the Company's website (www.hbmhealthcare.com). The Company is subject to the ad hoc disclosure rules of SIX Swiss Exchange.


Further details of the Company's information policy and permanent sources of information are given in the "Investor Information" section on page 68.

The Company's contact address is:
 HBM Healthcare Investments Ltd
 Bundesplatz 1, 6300 Zug, Switzerland
 Phone +41 41 768 11 08
 Fax +41 41 768 11 09
info@hbmhealthcare.com
www.hbmhealthcare.com

9. Inapplicability/negative declaration

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

Board of Directors



Hans Peter Hasler

Chairman of the Board of Directors

Nationality	Swiss
Date of birth	2 February 1956

Education

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

Professional history

Since 2014 Rigi Healthcare Ltd, Switzerland, Global Life Science Advisor

2012–2013 Elan Corporation plc, Chief Operating Officer (COO)

Since 2010 HPH Management GmbH, Switzerland

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

2001–2007 Biogen Inc, USA, Head of Commercial Operations, Cambridge/USA and Zug/Switzerland


1998–2001 Wyeth Pharmaceuticals, USA, Senior Vice President, Chief Marketing Officer/Head of Global Strategic Marketing

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

Directorships

Since 2014 AOP Orphan Pharmaceuticals AG, Vienna, Austria, Member of the Board of Directors

Since 2012 MIAC AG (Medical Imaging Analysis Center AG, a not-for-profit organisation set up by the University Hospital of Basle), Chairman of the Board of Directors



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

Vice Chairman of the Board of Directors
Member of the Audit Committee

Nationality	German
Date of birth	1 December 1935

Education

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

Professional history

Since 2006 German Parliamentary Society, Chairman

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

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

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

1982–1993 German Federal Minister of Research & Technology

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

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

1966–1971 Erzgesellschaft mbH, Frankfurt (Metallgesellschaft AG)

1968–1971 CEO

Directorships

Since 2004 Kabel Deutschland GmbH

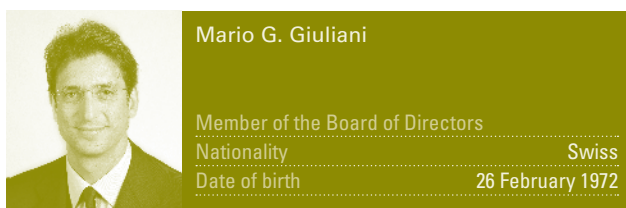
Since 2010 Honorary Chairman

2004–2010 Chairman of the Board of Directors

Since 2001 Heidelberg Innovation BioScience

Venture II GmbH,

Member of the Investors Committee



Education

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

Professional history

Since 1999 Giuliani SpA, Italy

Since 2003 President

Since 2001 CEO

1999–2000 CFO

1998–1999 Vector Fund Management, USA, Associate

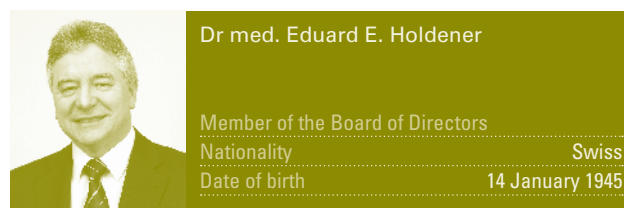
1996–1997 Giuliani SpA, Italy, Marketing, Sales, Finance and Controlling

Directorships

Since 2011 Recordati SpA, Member of the Board of Directors

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

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



Education

University of Zurich, Faculty of Medicine, Zurich, Switzerland (graduation November 1971);

MD degree (dissertation) University of Basle, Faculty of Medicine, Basle, Switzerland, 1975

Clinical activities and training for specialist in internal medicine and oncology, 1972–1986

Professional history

1986–2007 F. Hoffmann-La Roche Ltd, Basle, Switzerland

2006–2007 Chief Medical Officer (CMO) and Member of the Extended Corporate Executive Committee
1999–2006 Global Head of Pharma Development and CMO

1996–1998 Head of Pharma Development, Nippon Roche K.K., Tokyo, Japan

1994–1995 Deputy Head Global Clinical Development

1991–1994 Head of Global Clinical Development in Oncology

1986–1990 Head of Clinical Interferon Development


Directorships

Since 2011 Tigenix NV, Member of the Board of Directors

Since 2009 Cellerix SA, Member of the Board of Directors

Since 2008 NovImmune SA, Chairman of the Board of Directors

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



Robert A. Ingram	
Member of the Board of Directors Member of the Nominating Committee	
Nationality	USA
Date of birth	6 December 1942

Education

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

Professional history

Since 2007 Hatteras Venture Partners, USA, General Partner

1990–2010 GlaxoSmithKline plc

2010 Advisor to the CEO

2003–2009 Vice Chairman Pharmaceuticals

2001–2003 President and COO Pharmaceutical Operations

1999–2000 Chairman of the Board of Directors Glaxo Wellcome Inc

1997–2000 CEO Glaxo Wellcome plc

1990–1997 Several executive positions

Directorships

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

Since 2003 Edwards Lifesciences, Member of the Board of Directors

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



Dr Rudolf Lanz	
Member of the Board of Directors Member of the Audit Committee Member of the Nominating Committee	
Nationality	Swiss
Date of birth	16 June 1950

Education

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

Professional history

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

1980–2000 Ernst & Young Ltd, Zurich and Berne

1997–2000 Member of the Executive Committee

1995–1999 CFO

1994–1997 Member of the Board of Directors

1992–2000 Partner

1988–2000 Head of Mergers & Acquisitions/ Corporate Finance

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

1976–1977 Allgemeine Treuhand Ltd, Basle, Assurance and Advisory Department

Directorships

Since 2011 Ramatech Systems AG, Member of the Board of Directors

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


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

Since 2006 Agilita AG,


Member of the Board of Directors

Since 2005 Abilita AG,

Member of the Board of Directors



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



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

Education

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

Professional history

Since 2001 HBM Healthcare Investments Ltd and HBM Partners Ltd, Zug, CEO

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

1994–2001 Clinserve Ltd, Founder and CEO

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

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

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

Directorships

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

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

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

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

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

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

Education

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

Professional history

Since 2005 HBM Healthcare Investments Ltd and HBM Partners Ltd, Zug

Since 2011 Chief Financial Officer

2005–2011 Management of several areas within the Finance Department

2002–2005 Julius Baer Family Office, Zug, VP, Deputy Branch Manager, responsible for investment companies in the private equity segment

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

1990–1993 Luzerner Kantonalbank, Reiden, Credit Administrator

Directorships

Since 2014 Swiss Association of Investment Companies (SAIC), Chairman

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

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

To the Board of Directors of

HBM Healthcare Investments Ltd, Zug

Zurich, 12 May 2014

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 (DRC) issued by SIX Swiss Exchange (pages 21 to 31) for the year ended 31 March 2014.

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

Our review was conducted in accordance with Swiss Auditing Standard 910 applicable to review engagements, which requires that a review be planned and performed to obtain moderate assurance about whether the Corporate Governance disclosures are free from material misstatements. A review is limited primarily to inquiries of personnel and analytical procedures applied to the disclosures and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

Ernst & Young Ltd



Martin Mattes
Licensed audit expert
(Auditor in charge)



Jörg Schmidt
Licensed audit expert

Investment Guidelines

As at 31 March 2014

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

A total of up to 3 percent of the net assets of HBM Healthcare Investments may be invested in long or short holdings in options in individual public companies. Short options holdings are limited to accumulated total of 10 percent of HBM Healthcare Investments' net assets. Holdings in sold call options which are covered by the corresponding portfolio holdings may be entered into additionally.

4. Investment decisions

Investment and 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. The investment manager engages one or more investment advisors. Within the scope of HBM Healthcare Investments' ordinary business activities, the Board of Directors of HBM Healthcare Investments Ltd does not make any company-specific investment or 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 and on 25 June 2010 and passed in their present form on 12 May 2014. These Investment Guidelines define and regulate the investment activities of HBM Healthcare Investments Ltd and its subsidiaries ("HBM Healthcare Investments"). The Investment Guidelines may be amended within the limits of the articles of association of HBM Healthcare Investments Ltd by its Board of Directors at any time.

34 Financial Report The Consolidated Financial Statements of the HBM Healthcare Investments Group and the Parent Company Financial Statements of HBM Healthcare Investments Ltd for the financial year ended 31 March 2014.

Consolidated Financial Statements

Consolidated balance sheet

	Notes	31.3.2014	31.3.2013
Assets (CHF 000)			
Current assets			
Cash and cash equivalents		46,490	51,691
Receivables		192	2,004
Financial instruments		431	1,347
Total current assets		47,113	55,042
Non-current assets			
Investments	(3)	849,340	512,287
Other financial assets	(5)	29,236	34,655
Total non-current assets		878,576	546,942
Total assets		925,689	601,984
Liabilities (CHF 000)			
Short-term liabilities			
Financial instruments		0	236
Provisions	(8)	3,807	0
Other short-term liabilities		1,546	787
Total short-term liabilities		5,353	1,023
Shareholders' equity			
Share capital	(6)	520,650	552,000
Treasury shares	(6)	-27,934	-19,867
Capital reserve		390,797	385,527
Accumulated income/loss		36,823	-316,699
Total shareholders' equity		920,336	600,961
Total liabilities and shareholders' equity		925,689	601,984
Number of outstanding shares (in 000)		8,462	8,793
Net asset value (NAV) per share (CHF)		108.76	68.35

Consolidated Financial Statements

Consolidated statement of income for the financial year ended 31 March

	Notes	2013/2014	2012/2013
Result from investment activities (CHF 000)			
Gains on investments	(3)	398,141	127,524
Losses on investments	(3)	-43,979	-53,496
Dividend income		11,970	0
Result from currency hedging transactions		236	-13
Gains from other financial instruments		1,320	1,584
Gains on other financial assets		4,385	2,503
Losses on other financial assets		-1,296	-19
Result from investment activities		370,777	78,083
Management fee	(8)	-10,205	-7,873
Performance fee	(8)	-3,807	0
Personnel expenses	(9)	-1,883	-1,818
Other operating expenses		-1,377	-1,562
Result before interest and taxes		353,505	66,830
Financial income		17	175
Income taxes		0	0
Net result for the year		353,522	67,005
Number of outstanding shares, time-weighted (in 000)		8,627	8,914
Basic earnings per share (CHF)		40.98	7.52

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

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

(CHF 000)	2013/2014	2012/2013
Net result for the year	353,522	67,005
Contribution to operating result reported in shareholders' equity		
Change owing to currency translation differences	0	57
Total comprehensive result	353,522	67,062

Consolidated Financial Statements

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

(CHF 000)	2013/2014	2012/2013
Management fee paid	-10,205	-7,873
Other expenses paid (personnel and other operating expenses)	-3,416	-3,302
Net cash flow from operating activities	-13,621	-11,175
Interest payments received	17	181
Dividend payments received	11,970	0
Purchase of investments	-309,822	-70,999
Sale of investments	329,772	101,467
Payments received from escrow amounts and milestones	8,583	1,816
Net cash flow from financial instruments to hedge currency risks	0	223
Sale of other financial instruments	2,235	535
Net cash flow from investing activities	42,755	33,223
Par value repayment	-12,948	0
Purchase of treasury shares	-28,560	-23,913
Sale of treasury shares	7,937	11,417
Net cash flow from financing activities	-33,571	-12,496
Currency translation differences	-764	915
Net change in cash and cash equivalents	-5,201	10,467
Cash and cash equivalents at beginning of period	51,691	41,224
Cash and cash equivalents at end of period	46,490	51,691

Consolidated Financial Statements

Consolidated statement of changes in equity

	Share capital	Treasury shares	Capital reserve	Currency translation differences	Accumulated income/loss	Total shareholders' equity
(CHF 000)						
Balance as at 31 March 2012	588,000	-33,084	375,240	-57	-383,704	546,395
Net result for the year					67,005	67,005
Currency translation differences				57		57
Total comprehensive result						67,062
Purchase of treasury shares		-23,913				-23,913
Sale of treasury shares		11,363	54			11,417
Capital reduction (4.9.2012)	-36,000	25,767	10,233			0
Balance as at 31 March 2013	552,000	-19,867	385,527	0	-316,699	600,961
Net result for the year					353,522	353,522
Currency translation differences				0		0
Total comprehensive result						353,522
Purchase of treasury shares		-29,136				-29,136
Sale of treasury shares		6,351	1,586			7,937
Capital reduction (30.8.2013)	-18,000	14,718	3,282			0
Par value repayment (9.9.2013)	-13,350		402			-12,948
Balance as at 31 March 2014	520,650	-27,934	390,797	0	36,823	920,336

Consolidated Financial Statements

Notes

1. Information about the Company and its business

HBM Healthcare Investments Ltd ("Company") is a SIX Swiss Exchange listed holding company domiciled in 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 Consolidated Financial Statements are set out below.

2.1 Basis of preparation – Consolidated Financial Statements

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

The preparation of the Consolidated Financial Statements is based on the acquisition cost principle with the exception of financial instruments and investments (note 2.6) and other financial assets (note 2.7), which are carried at fair value through profit and loss in the annual financial statements.

With the exception of the new and revised standards and interpretations listed in note 2.15, the same accounting policies and valuation principles as in the previous year have been applied in the preparation of these financial statements.

Significant discretionary decisions, estimates and assumptions

The preparation of the Consolidated Financial Statements requires Management to make estimates which affect reported earnings, expenditure, assets, liabilities and investment commitments as at the balance sheet date. Should the estimates made by Management to the best of their knowledge at the balance sheet date subsequently be shown to differ from actual circumstances, the original estimates are adjusted accordingly during the reporting year in which circumstances changed. As explained in note 2.6, a degree of uncertainty is attached specifically to estimating individual fair values for private companies and funds.

2.2 Scope of consolidation

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

Subsidiary	Objective	Ownership in % as at 31.3.2014	Ownership in % as at 31.3.2013
HBM Healthcare Investments (Cayman) Ltd, Cayman Islands	Holding of company interests	100%	100%
HBM Biomedicine (Cayman) Ltd, Cayman Islands ¹⁾	Holding of company interests	100%	100%
HBM Private Equity India, Republic of Mauritius	Holding of company interests	100%	n/a

1) The company is currently in liquidation.

All subsidiaries are wholly owned either directly or indirectly. Intra-Group transactions have been eliminated.

Shareholdings in associated companies are valued, in accordance with the exception provision for investment companies under IAS 39, at fair value and are reported as investments. Associated companies are understood as shareholdings in companies over which HBM Healthcare Investments exerts a significant influence, but does not have a controlling interest (shareholdings of between 20 and 50 percent of voting rights). Please refer to note 4 "HBM BioCapital" concerning the recognition of the holdings in HBM BioCapital (EUR) L.P. (equity interest of 44.7 percent) and HBM BioCapital II L.P. (equity interest of 46.7 percent) under "Investments".

2.3 Foreign currencies

The functional currency for the Company and for all subsidiaries is the Swiss franc (CHF).

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

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

(CHF)	31.3.2014	31.3.2013
DKK	0.1631	0.1632
EUR	1.2180	1.2168
GBP	1.4739	1.4426
SEK	0.1367	0.1454
USD	0.8846	0.9492

2.4 Cash and cash equivalents

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

2.5 Receivables

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

2.6 Financial instruments and investments

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

Sales of investments and financial instruments are booked out at the anticipated sale proceeds on the date of sale. Claims to escrow amounts or performance-related milestone payments, which result in cash flows only at a later date, are carried under "Receivables" (note 2.5) or "Other financial assets" (note 2.7).

Trade date accounting

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

Derivative financial instruments

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

Investments

All investments are recognised at their acquisition cost without transaction cost, and thereafter at their fair value. The fair value of investments in private companies is determined using the "International Private Equity and Venture Capital Valuation Guidelines (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 earning significant profits, in which case an appropriate price/earnings ratio is applied, maintaining a discount to reflect the restricted liquidity of the portfolio company ("earnings multiple method").

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

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

2.7 Other financial assets

Other financial assets comprise contractual claims on the sale of portfolio companies that are tied to the achievement of predefined objectives (milestone payments). These claims are carried in the annual financial statements at a risk-weighted value and discounted over time (discount rate of 11 percent). The risk-weighted approach is based on the assessment of the likelihood of occurrence of certain future objectives, referring to commonly used industry statistics, own guidelines, and estimates.

2.8 Financial liabilities

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

2.9 Provisions

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

2.10 Treasury shares

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

2.11 Result from investment activities

Changes in the value of individual investments in the financial year (including currency effects) are recorded in the statement of income as "Gains or losses on investments". The "Realised gains or losses on investments" disclosed in note 3 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". Earnings from derivative financial instruments are recorded in the statement of income as "Gains and losses from other financial instruments", or as "Result from currency hedging transactions". The "Gains and losses on other financial assets" items in the statement of income include changes in value (including currency effects) on receivables in escrow accounts, contractual claims arising from the sale of portfolio companies, which are recognised under "Other financial assets", as well as foreign currency gains and losses on cash and cash equivalents.

2.12 Corporate income taxes

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

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

2.13 Net asset value and earnings per share

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

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

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

2.14 Segment reporting

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

2.15 Changes to accounting policies

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

Standard and interpretation

Standard and interpretation	Effective date
IFRS 7	
Financial instruments: Disclosure – Offsetting of financial assets and liabilities	1.1.2013
IAS 19 (revised)	
Employee benefits – Recognition and measurement	1.1.2013

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

The Company applied the following new and revised reporting standards and interpretations ahead of schedule:

Standard and interpretation

Standard and interpretation	Effective date
IFRS 10	1.1.2013/
Consolidated financial statements	1.1.2014
IFRS 11	
Joint arrangements	1.1.2013
IFRS 12	
Disclosure of interests in other entities	1.1.2013
IFRS 13	
Fair value measurement	1.1.2013
IAS 27 (revised)	
Separate financial statements	1.1.2013
IAS 28 (revised)	
Investments in associates and joint ventures	1.1.2013

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

Standard and interpretation

Standard and interpretation	Effective date	Financial year in which application is planned
IFRIC 21		2014/
Levies	1.1.2014	2015
IAS 32		
Financial instruments: Presentation – Offsetting of financial assets and liabilities	1.1.2014	2014/
IAS 36		2014/
Impairment of assets: Disclosure	1.1.2014	2015
IFRS 7		
Financial instruments: Disclosure – Additional disclosures on transition from IAS 39 to IFRS 9	1.1.2015	2015/
IFRS 9		2016
IFRS 9		
Financial instruments: Classification and measurement	1.1.2015	2015/
		2016

3. Investments

	Domicile	Investment currency (IC)	Amount disbursed as at 31.3.2013 (IC m)	Changes in the reporting period	Amount disbursed as at 31.3.2014 (IC m)	Fair value as at 31.3.2014 (IC m)	Ownership as % of portfolio company	Fair value as at 31.3.2014 (CHF 000)	Fair value as at 31.3.2013 (CHF 000)
Private companies									
Cathay Industrial Biotech	China	USD	28.0		28.0	28.0	12.6	24,769	26,578
Advanced Accelerator Applications (AAA)	France	EUR	0.0	20.0	20.0	20.0	6.1	24,360	0
Interventional Spine	USA	USD	18.0		18.0	17.0	31.1	14,999	16,095
Tensys Medical ¹⁾	USA	USD	10.0	2.9	12.9	12.9	100.0	11,367	9,445
Nabriva Therapeutics ²⁾	Austria	EUR	13.1	0.6	13.7	7.9	12.3	9,636	15,890
Ellipse Technologies ³⁾	USA	USD	8.0	0.6	8.6	9.3	25.2	8,185	7,597
Medimpulse Holding	Switzerland	USD	4.4		4.4	8.3	20.7	7,337	7,873
Delenix Therapeutics ²⁾	Switzerland	CHF	7.2	1.3	8.4	6.0	14.3	6,041	4,771
Probiodrug	Germany	EUR	15.0	0.4	15.4	5.0	9.9	6,030	5,537
Westmed Holding	USA	USD	5.5	1.5	7.0	6.5	21.7	5,740	3,275
Paratek Pharmaceuticals	USA	USD	6.1	2.7	8.9	5.4	9.6	4,810	0
Kolltan ²⁾	USA	USD	1.9	2.5	4.4	4.4	2.7	3,891	2,701
MiCardia ²⁾	USA	USD	4.3	0.3	4.6	3.7	11.5	3,252	4,068
Other investments								8,963	12,171
Total private companies								139,380	116,001

1) One lender of Tensys Medical Inc. has a conversion right for 30 percent of the total outstanding shares of Tensys Medical Inc. following conversion.

2) As explained in note 4 to the Consolidated Financial Statements, this investment was made partly or wholly through HBM Bio-Capital (EUR) L.P. Pro-rata fees charged by HBM BioCapital (EUR) L.P. are reimbursed in full to HBM Healthcare Investments so that fees are not levied twice.

3) Since August 2005, HBM Healthcare Investments holds an additional approx. 6.1 percent of the company indirectly via the MedFocus fund.

Funds	Domicile	Investment currency (IC)	Total commitment (IC m)	Payments in the reporting period (IC m)	Repayments in the reporting period (IC m)	Cumulative payments as at 31.3.2014 (IC m)	Cumulative repayments as at 31.3.2014 (IC m)	Fair value as at 31.3.2014 (IC m)	Fair value as at 31.3.2014 (CHF 000)	Fair value as at 31.3.2013 (CHF 000)
BioMedInvest I	Switzerland	CHF	26.0		6.2	26.0	14.0	15.4	15,418	16,900
MedFocus Fund II	USA	USD	16.0			16.0	0.0	13.8	12,232	13,014
Galen Partners V	USA	USD	10.0	0.7		9.4	0.0	10.5	9,310	9,688
HBM BioCapital II ¹⁾	Jersey	EUR	42.0	3.3		9.1	0.0	7.0	8,559	5,755
Hatteras Venture Partners III	USA	USD	10.0	1.1		8.6	2.0	8.7	7,704	7,104
BioMedInvest II	Switzerland	CHF	10.0			6.0	0.0	7.4	7,447	5,130
Water Street Healthcare Partners	USA	USD	15.0	0.0	1.8	14.8	14.3	7.2	6,339	8,362
Nordic Biotech	Denmark	DKK	31.0	1.2	0.9	31.0	11.8	27.1	4,425	4,264
BioVeda China	China	USD	8.5			8.5	27.2	4.4	3,918	4,093
Symphony Capital Partners	USA	USD	15.0		1.1	14.9	11.3	1.7	1,546	3,117
BioVentures Investors II	USA	USD	3.0		0.3	3.0	0.8	1.0	926	844
EMBL Technology Fund	Germany	EUR	2.1			2.1	0.0	0.7	896	1,413
Heidelberg Innovation BSV II	Germany	EUR	5.0		0.1	5.0	1.4	0.3	402	584
AM. Pappas LifeScience Ventures II	USA	USD	3.0			3.0	3.3	0.2	171	323
Skyline Venture Partners III	USA	USD	3.0		0.1	2.9	3.8	0.1	126	200
Tata Capital HBM Healthcare Fund I	Singapore	USD	6.0			0.0	0.0	0.0	0	0
Total funds									79,419	80,792

Public companies	Domicile	Investment currency (IC)	Number of shares as at 31.3.2013	Changes in number of shares in the reporting period	Number of shares as at 31.3.2014	Ownership as % of portfolio company	Fair value as at 31.3.2014 (CHF 000)	Fair value as at 31.3.2013 (CHF 000)
Basilea Pharmaceutica ^{P)}	Switzerland	CHF	2,394,016	-1,161,537	1,232,479	12.0	124,357	137,656
Ophthotech ²⁾	USA	USD	3,178,656	461,574	3,640,230	10.9	114,879	15,622
Pacira Pharmaceuticals ^{P)}	USA	USD	2,233,993	-566,686	1,667,307	5.0	103,228	61,198
Skyepharma Bond ³⁾	UK	GBP					84,106	0
Skyepharma	UK	GBP	4,976,806	6,526,339	11,503,145	24.9	40,691	3,338
PTC Therapeutics ²⁾	USA	USD	1,841,495	600,000	2,441,495	8.1	56,456	20,976
Swedish Orphan Biovitrum ^{P)}	Sweden	SEK	1,400,000	853,000	2,253,000	0.8	21,831	8,529
Enanta Pharmaceuticals ^{P)}	USA	USD	1,441,989	-941,989	500,000	2.7	17,688	24,911
Aegerion	USA	USD	2,500	297,500	300,000	1.0	12,255	96
Genmab	Denmark	DKK	10,000	221,500	231,500	0.4	8,319	220
Morphosys	Germany	EUR	2,500	81,500	84,000	0.3	6,886	97
Lpath	USA	USD	609,155	732,400	1,341,555	9.0	5,637	2,903
Regado Biosciences	USA	USD	0	400,000	400,000	1.7	4,430	0
Actavis	USA	USD	0	20,000	20,000	0.0	3,642	0
Oxford Immunotec	UK	USD	0	200,000	200,000	1.2	3,551	0
ChemoCentryx ^{P)}	USA	USD	1,930,000	-1,930,000	0		0	25,318
Other investments							22,585	14,630
Total public companies							630,541	315,494
Total investments							849,340	512,287

P) The position originates from the private companies portfolio.

1) The fair value of EUR 7.0 million takes into account the fund's cumulative management fees of EUR 1.8 million. As explained in note 4 to the Consolidated Financial Statements, this amount has been reimbursed in full to HBM Healthcare Investments so that fees are not levied twice.

2) PTC Therapeutics and Ophthotech listed their shares on NASDAQ in June and September 2013. The investments were previously reported under private companies.

3) GBP 49.972 million bond valued at 114.19 percent of face value on the basis of a yield to maturity of 7.25 percent. On 31 March 2014, the company launched a redemption offer for its outstanding bond at a price representing 114.85 percent of the face value. The transaction will be executed on 2 May 2014.

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

	Private companies	Funds	Public companies	Total investments
Development of investments (CHF 000)				
Fair value as at 31 March 2013	152 599	80 792	278 896	512 287
Reclassification owing to IPO (PTC Therapeutics)	-20 976		20 976	0
Reclassification owing to IPO (Ophthotech)	-15 622		15 622	0
Adjusted fair value as at 31 March 2013	116 001	80 792	315 494	512 287
Purchases	36 557	5 860	267 405	309 822
Sales	-2 076	-9 460	-315 395	-326 931
Realised gains	0	68	70 131	70 199
Realised losses	-32 293	-782	-8 992	-42 067
Changes in unrealised gains/losses	21 191	2 941	301 898	326 030
Fair value as at 31 March 2014	139 380	79 419	630 541	849 340

The following table on page 48 shows the gains and losses (realised and unrealised) on single investments for the 2013/2014 and 2012/2013 financial years. Investments are listed separately only if the change in value in terms of the investment currency

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

Gains on investments (realised and unrealised per company) ¹⁾	Investment currency (IC)		2013/2014 (CHF 000)
	IC million		
Private companies			
Paratek	USD	2.5	2,202
Other investments			2,247
Total private companies			4,449
Funds			
BioMedInvest I	CHF	4.8	4,757
BioMedInvest II	CHF	2.3	2,317
Other investments			436
Total funds			7,510
Public companies			
Ophthotech	USD	105.4	91,823
Basilea Pharmaceutica	CHF	84.7	84,660
Pacira Pharmaceuticals	USD	70.8	59,525
Skyepharma	GBP	21.9	32,397
PTC Therapeutics	USD	33.0	27,328
Skyepharma Bond	GBP	17.9	25,944
Enanta Pharmaceuticals	USD	22.0	18,101
Intercept Pharmaceuticals	USD	18.8	17,009
Swedish Orphan Biovitrum	SEK	51.3	6,191
Allergan	USD	5.1	4,021
Regado Biosciences	USD	3.0	2,964
Actavis	USD	3.4	2,804
DBV Technologies	EUR	2.0	2,377
Other investments			11,038
Total public companies			386,182
Total gains on investments			398,141
Losses on investments (realised and unrealised per company) ¹⁾			
Private companies			
Nabriva	EUR	5.7	6,948
Other investments			8,603
Total private companies			15,551
Funds			
Other investments			5,283
Total funds			5,283
Public companies			
ChemoCentryx	USD	13.1	12,838
Aegerion	USD	5.4	5,147
Other investments			5,160
Total public companies			23,145
Total losses on investments			43,979

Gains on investments (realised and unrealised per company) ¹⁾	Investment currency (IC)		2012/2013 (CHF 000)
	IC million		
Private companies			
Vivacta	GBP	4.8	7,353
Nereus Pharmaceuticals	USD	3.7	3,503
Other investments			5,720
Total private companies			16,576
Funds			
Other investments			8,216
Total funds			8,216
Public companies			
Pacira Pharmaceuticals	USD	58.2	57,048
Basilea Pharmaceutica	CHF	16.7	16,674
Enanta Pharmaceuticals	USD	11.4	11,236
ChemoCentryx	USD	6.9	7,904
Swedish Orphan Biovitrum	SEK	27.3	4,250
Other investments			5,620
Total public companies			102,732
Total gains on investments			127,524
Losses on investments (realised and unrealised per company) ¹⁾			
Private companies			
Lux Biosciences	USD	24.0	21,622
PTC Therapeutics	USD	12.1	10,269
Cylene Pharmaceuticals	USD	8.8	7,960
Probiodrug	EUR	3.7	4,454
Paratek Pharmaceuticals	USD	2.9	2,664
Other investments			2,965
Total private companies			49,934
Funds			
Other investments			2,869
Total funds			2,869
Public companies			
Other investments			693
Total public companies			693
Total losses on investments			53,496

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

The net gain on investments of CHF 354.2 million (previous year: net gain of CHF 74.0 million) includes net currency losses of CHF 38.1 million (previous year: net currency gains of CHF 15.4 million).

Method of calculating fair value

The following overview shows the percentage distribution of investments in the HBM Healthcare Investments portfolio, according to the method by which fair value is derived, as at the balance sheet date of 31 March 2014.

	31.3.2014	31.3.2013
Acquisition cost	16%	29%
Equity market	74%	54%
Earnings multiple method	1%	1%
Other (third-party funds)	9%	16%

Basis of valuation of private companies

The following table shows the percentage distribution of investments in the HBM Healthcare Investments portfolio, according to fair value as at the balance sheet date of 31 March 2014, in relation to acquisition cost.

	31.3.2014	31.3.2013
Fair value		
> Acquisition cost	11%	7%
= Acquisition cost	50%	56%
< Acquisition cost	39%	37%

4. HBM BioCapital

HBM Healthcare Investments has committed EUR 39.1 million to HBM BioCapital (EUR) L.P., Cayman Islands ("HBM BioCapital I"), which is reported under investments. Of this, EUR 38.3 million had been paid in as at 31 March 2014 (previous year: EUR 37.4 million), while EUR 40.6 million had been repaid (previous year: EUR 39.3 million). As at 31 March 2014, the fair value of the remaining investment in HBM BioCapital I stood at EUR 9.1 million (previous year: EUR 12.8 million). HBM BioCapital I's investments are reported pro-rata in note 3 "Investments", in addition to the investments held directly by HBM Healthcare Investments.

Since its inception in 2004, HBM BioCapital I has returned more to investors than the total paid up capital, and currently holds a portfolio of 4 companies, which will be sold up to the contractual expiry of the fund, including the extension period, in 2016. To continue this strategy, HBM Healthcare Investments made a capital commitment of EUR 42 million to the newly founded HBM BioCapital II L.P., Jersey ("HBM BioCapital II") in February 2012. As at 31 March 2014, EUR 9.1 million of this commitment had been called up. The investment in HBM BioCapital II is accounted for under funds, as HBM BioCapital II will not make investments in companies in which HBM Healthcare Investments is invested directly.

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

5. 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 recorded at fair value through profit and loss in the annual financial statements by applying a probability-weighted valuation approach based on the assessment of the likelihood of occurrence of

certain future events. These claims are discounted over time with a discount rate of 11 percent (previous year: discount rate of 11 percent) in the annual financial statements. The valuation measures applied refer to commonly used industry statistics, own guidelines, and estimates. As at the balance sheet date, other financial assets were composed as follows:

(CHF million)	31.3.2014	31.3.2013
Claims to purchase price payments from sales of companies contingent on achievement of defined targets ¹⁾	29,236	34,640
Other financial assets	0	15
Total book value of other financial assets	29,236	34,655
Claims to purchase price payments from sales of companies contingent on achievement of defined targets ²⁾	3,922	5,663
Total claims to purchase price payments from sales of companies contingent on achievement of defined targets (direct and indirect investments)	33,158	40,303

1) From investments held directly

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

Total claims to such purchase price payments of CHF 33.1 million consist of CHF 29.2 million from investments held directly by HBM Healthcare Investments and CHF 3.9 million from investments which HBM Healthcare Investments holds indirectly via HBM BioCapital (EUR) L.P. and which are stated under investments (note 4 "HBM BioCapital").

The book value of contractual claims to purchase price payments developed as follows in the 2013/2014 financial year.

(CHF 000)	Claims from investments held directly	Claims from investments held indirectly (through HBM BioCapital)	Total
Amount as at 31 March 2013	34,640	5,663	40,303
Addition	0	0	0
Payments received	-8,583	-1,488	-10,071
Realised and unrealised gains/losses	3,179	-253	2,926
Amount as at 31 March 2014	29,236	3,922	33,158

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

(CHF million)	Book value as at 31.3.2014	Range of possible cash flows, minimum	Range of possible cash flows, maximum	Expected period of payment
ESBATEch	8.7	0.0	48.4	2014 – 2020
Mpex ¹⁾	2.4	1.6	31.4	2014 – 2029
mtm laboratories	15.7	0.9	26.8	2015 – 2016
Other companies	6.3	1.6	32.6	2014 – 2018
Total	33.1	4.1	> 139.2	

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

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

ESBATEch: The company was acquired in September 2009 by Alcon Inc. The purchase price comprised an upfront payment and further milestone payments that are tied to the achievement of clinical development targets. In addition to the upfront payment of CHF 20.3 million, HBM Healthcare Investments has to date received a small initial milestone payment of CHF 0.1 million. Further such payments are anticipated starting this year.

Mpex: The company was acquired in April 2011 by Aptalis, which recently became a subsidiary of Forest Laboratories. Aptalis is paying the purchase price in cash – a guaranteed portion in tranches up to 2014, and the remainder as milestone payments contingent on market licensing and sales successes. HBM Healthcare Investments will receive another USD 1.9 of guaranteed payments before the end of 2014. Further payments of approximately USD 5 million will fall due upon the approval of the Aeroquin™ antibiotic in Europe and in the USA. HBM Healthcare Investments is also entitled to turnover-based payments on product sales up to 2029. These may correspond to several times the current book value of the investment.

mtm: The company was acquired in July 2011 by Roche. The purchase price for the company comprised an upfront payment and further performance-based milestone payments. HBM Healthcare Investments has so far received the upfront payment of CHF 46.4 million. The performance-related milestone payment is expected in 2015.

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

6. Shareholders' equity

6.1 Share capital

As at the balance sheet date, the Company's share capital stood at CHF 520.65 million (previous year: CHF 552 million), divided into 8,900,000 registered shares (previous year: 9,200,000 shares) at a par value of CHF 58.50 each (previous year: CHF 60.00). At the Ordinary Shareholders' Meeting of 21 June 2013, the decision was made to cancel 300,000 treasury shares. In addition to the reduction in share capital, the Ordinary Shareholders' Meeting also approved a par-value repayment to shareholders of CHF 1.50 per registered share. This repayment was made on 9 September 2013. These two capital reductions were entered in the Canton Zug Commercial Register on 30 August 2013.

6.2 Treasury shares

The Ordinary Shareholders' Meeting of 22 June 2012 authorised the Board of Directors to repurchase a maximum of 920,000 of the Company's own shares via a second trading line in a share buy-back programme. The programme is intended to reduce capital and will run until 30 June 2015 ("2012 share buy-back programme"). Within the framework of this buy-back programme, a total of 494,000 of the Company's own shares have been purchased to date. Of these 190,000 have already been cancelled. As at the balance sheet date of 31 March 2014, the Company therefore holds 304,000 of its own shares (as at 31 March 2013: 263,000 own shares).

During the 2013/2014 financial year, the Company acquired a total of 341,000 of its own shares via the second trading line, at an average price of CHF 65.06 per share (previous year: 265,655 own shares at an average price of CHF 48.34 per share). Of this figure, 37,000 of its own shares were cancelled as at 30 August 2013 as part of the capital reduction.

	2013/2014	2012/2013
(Number of own shares)		
Own shares (second trading line) at the beginning of financial year	263,000	597,345
+ Purchase of shares via second trading line	341,000	265,655
./. Cancellation of shares as part of capital reduction	300,000 ¹⁾	600,000
Own shares (second trading line) at the end of financial year	304,000	263,000

1) Thereof 110,000 of its own shares were acquired as part of the "2009 share buy-back programme".

In addition, as at 31 March 2014, the Company held a further 133,665 treasury shares (as at 31 March 2013: 144,362 shares), indirectly via its HBM Healthcare Investments (Cayman) Ltd subsidiary. These shares had been acquired via the regular trading line. During the financial year, a total of 112,079 treasury shares were acquired via the regular trading line at an average price of CHF 62.01 (previous year: 222,810 shares at CHF 49.69), while 122,776 treasury shares were sold at an average price of CHF 64.65 (previous year: 234,158 shares at CHF 48.76).

The gain of CHF 1.59 million from trading in treasury shares (previous year: gain of CHF 0.05 million), which is reported in shareholders' equity is based on the proceeds of shares sold, minus the pro-rata average acquisition price of all shares purchased via the regular trading line.

6.3 Significant shareholders

Based on information received by the Company, the following shareholders report equity holdings in HBM Healthcare Investments Ltd of 3 percent or more as at 31 March 2014.

Shareholding	Shareholder	Latest notification
10 – 15 %	Alpine Select AG, Zug	14.1.2014
5 – 10 %	Astellas Pharma Inc, Tokyo	25.1.2014
3 – 5 %	HBM Healthcare Investments Ltd, Zug (treasury shares)	31.3.2014

7. Off-balance-sheet commitments

Investment commitments

HBM Healthcare Investments had the following investment commitments as at 31 March 2014:

	31.3.2014	31.3.2013
(CHF 000)		
HBM BioCapital (EUR) L.P.	1,000	2,046
HBM BioCapital II L.P.	40,021	44,008
Private companies	7,450	0
Funds	11,357	8,038
Total investment commitments	59,828	54,092

Further details of investment commitments to HBM BioCapital (EUR) L.P. and HBM BioCapital II L.P. can be found in note 4 "HBM BioCapital".

8. Management fee and performance fee

HBM Healthcare Investments has entered into an advisory agreement with a subsidiary of HBM Partners Ltd (together "HBM Partners"). HBM Partners itself will take on the role of advisor as on 1 April 2014. This agreement requires HBM Partners to provide services in relation to the investment activities of HBM Healthcare Investments. The compensation under the agreement includes a

management fee and a performance fee. The compensation model is determined by the Board of Directors.

The management fee paid to HBM Partners during the 2013/2014 financial year came to CHF 10.2 million (previous year: 7.9 million). Provision has been made for a performance fee of CHF 3.8 million (previous year: none), as net assets on the balance sheet date of 31 March 2014 have exceeded the highest net assets that were used as a calculation basis to pay out the last fee. However, no payment has yet been made, as the difference between these two net asset values has not exceeded the high water mark by 5 percent. The provision will be adjusted according to the change in the difference of these two net asset values in the future.

8.1 Management fee

The annual management fee due to HBM Partners amounts to 1.2 percent of the Company's assets plus 0.3 percent of the Company's market capitalisation per year. From the start of the new 2014/2015 financial year on 1 April 2014, the management fee will be 0.75 percent of the Company's assets, and 0.75 percent of market capitalisation per year. The Company's assets are calculated from the consolidated shareholders' equity reported as at the end of the previous quarter, plus borrowed capital net of transaction costs, and the Company's holdings of treasury shares acquired via the regular trading line, valued at market prices. Market capitalisation is calculated based on the shares listed on SIX Swiss Exchange, valued at the closing price as at the end of the previous quarter. The management fee is paid quarterly, in advance. As explained in note 4 "HBM BioCapital", both HBM Healthcare Investments and HBM BioCapital I and II are advised by HBM Partners Ltd or one of its subsidiaries. HBM Healthcare Investments' pro-rata share of management and performance fees (carried interest) incurred on HBM BioCapital I and II is refunded 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.

8.2 Performance fee

Based on the increase in net asset value, HBM Partners is entitled to an annual performance fee, less the performance fees paid to members of the Board of Directors of HBM Healthcare Investments Ltd, as explained in note 12.1, "Payments to members of governing bodies and related parties".

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

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

The total performance fee to HBM Partners and to members of the Board of Directors of HBM Healthcare Investments Ltd corresponds to 15 percent of the difference between these two net asset values. It is paid out only if this difference exceeds the high water mark by 5 percent or more. As the calculation basis, net assets are adjusted in line with changes to the capital structure of HBM Healthcare Investments and any dividends that are paid out. As at 31 March 2014, the high water mark amounted to CHF 106.21 per share (previous year: CHF 107.71 per share).

9. Personnel expenses

Personnel expenses for the Group are composed as follows:

(CHF 000)	2013/2014	2012/2013
Remuneration to Directors and members of the Audit Committee ¹⁾	370	481
Remuneration to Directors of subsidiaries	170	209
Wages and salaries	1,128	896
Social insurance contributions and duties	152	174
Other personnel expenses	63	58
Total personnel expenses	1,883	1,818

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

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

10. Taxes

HBM Healthcare Investments does not capitalise deferred tax assets relating to the Company's loss carry-forwards because it is unlikely, given the tax status of the Company and its subsidiary on the Cayman Islands, that such loss carry-forwards could be used in the near future. The Company's deductible loss carry-forwards as at 31 March 2014 amounted to CHF 95 million, which can be set off in subsequent periods:

Tax losses carried forward (CHF 000)	31.3.2014
Within 1 year	0
Within 2 to 5 years	95,222
After 5 years	0
Total	95,222

11. Financial risk management

HBM Healthcare Investments is exposed to various financial risks. These risks, which are a result of the Group's 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 Investments has also established processes for the careful and timely monitoring and controlling of its financial instruments and investments.

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

11.1 Risk of limited market liquidity

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

11.2 Market risks

General economic and political market factors, as well as the situation on the relevant public equity markets, are factors that impact directly on the prospects of HBM Healthcare Investments' investments. Given the maturity of the HBM Healthcare Investments' 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 Investments' public portfolio also generally increases and decreases in line with valuations on public equity markets as a whole.

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

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

The healthcare sector as a whole depends on society's ability and willingness to pay for drugs, treatments and innovations that help to address health issues. If certain countries, 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 Investments' portfolio companies might be impacted significantly. Political developments in countries in which the operations of a few portfolio companies are located, such as China, may affect the ability of the companies in question to execute their business plans and attain their growth targets. HBM Healthcare Investments tries to reduce market risks by means of thorough investment analyses and by close cooperation with the portfolio companies concerned.

11.3 Liquidity risks

The Investment Guidelines oblige HBM Healthcare Investments to maintain an appropriate level of short-term funds in order to participate in follow-on financing for portfolio companies and to ensure that the Company is able to meet all of its liabilities and investment commitments. When determining the necessary level of liquidity, the most important factors are (1) the expected due dates of HBM Healthcare Investments' investment commitments, (2) due dates for the repayment of borrowed capital and/or the possibility of refinancing, (3) expected payment dates of other contractual obligations, (4) expected follow-on financing rounds at private portfolio companies, including their anticipated timing, (5) the trading liquidity of public portfolio companies, and (6) expected cash flows from the sale of private portfolio companies.

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

	Book value as at balance sheet date	Total contractual cash flows	Due within 3 months	Due within 3–12 months	Due within 12–24 months	Due within >24 months
Liquidity risks (CHF million)						
Balance sheet liabilities						
Other short-term liabilities and financial instruments	5.3	5.3	1.5	0.0	3.8	0.0
Total balance sheet liabilities as at 31 March 2014	5.3	5.3	1.5	0.0	3.8	0.0
Total balance sheet liabilities as at 31 March 2013	1.0	1.0	1.0	0.0	0.0	0.0
Off-balance-sheet investment commitments¹⁾						
Expected drawdowns HBM BioCapital I and II	41.0	41.0	3.0	4.0	6.0	28.0
Expected maturities of investment commitments to private companies	7.5	7.5	6.3	1.2	0.0	0.0
Expected drawdowns funds	11.3	11.3	1.3	3.0	3.0	4.0
Total off-balance-sheet investment commitments as at 31 March 2014	59.8	59.8	10.6	8.2	9.0	32.0
Total off-balance-sheet investment commitments as at 31 March 2013	54.1	54.1	4.0	9.0	8.0	33.1

1) Due dates are estimates.

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

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

11.4 Foreign currency risks

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

In March 2013, the Company sold USD 30 million (nominal value) in call options with a strike price of USD/CHF 0.97 and a maturity of 3 months. During the 2013/2014 financial year, currency hedging transactions resulted in a gain of CHF 0.24 million (previous year: loss of CHF 0.01 million).

As at the balance sheet date, 79 percent of HBM Healthcare Investments' total assets were subject to foreign currency risks (previous year: 71 percent).

The following table demonstrates the sensitivity of HBM Healthcare Investments' annual result to a possible fluctuation in foreign exchange rates of +/- 10 percent compared to the foreign exchange rates used for the annual financial statements as at 31 March 2014:

	Fair value	Foreign exchange rates + 10%	Foreign exchange rates - 10%
31 March 2014 (CHF million)			
Net assets in USD	513	51	-51
Net assets in EUR	83	8	-8
Net assets held in other foreign currencies	127	13	-13
31 March 2013 (CHF million)			
Net assets in USD	353	35	-35
Net assets in EUR	55	6	-6
Net assets held in other foreign currencies	20	2	-2

11.5 Valuation risks and fair values

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

Valuations of difficult-to-assess investments are made by HBM Healthcare Investments in accordance with its accounting policies, as described in note 2.6, and are the sole responsibility of Management. The following summary analyses assets and liabilities valued at their fair values, in accordance with their place in the valuation hierarchy, which is defined as follows:

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

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

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

Assets at fair value as at 31 March 2014 (CHF million)

	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobservable inputs"	Total
Investments				
- Private companies			139.4	139.4
- Funds			79.4	79.4
- Public companies	546.4	84.1		630.5
Financial instruments		0.4		0.4
Other financial assets			29.2	29.2
Total assets at fair value	546.4	84.5	248.0	878.9

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

Investments				
- Private companies			152.6	152.6
- Funds			80.8	80.8
- Public companies	278.9			278.9
Financial instruments		1.3		1.3
Other financial assets			34.7	34.7
Total assets at fair value	278.9	1.3	268.1	548.3
Financial instruments		0.2		0.2
Total liabilities at fair value	0.0	0.2	0.0	0.2

The IPOs of PTC Therapeutics and Ophthotech resulted in assets amounting to CHF 36.6 million being reclassified from level 3 to level 1 during the 2013/2014 financial year.

As at 31 March 2014, there were no liabilities that were carried at fair value.

11.6 Interest rate risks

HBM Healthcare Investments' exposure to interest rate risk is low, or significantly reduced, because the Company holds only short-term positions in cash and cash equivalents, and debt financing is permitted to only a limited degree.

11.7 Credit risks

Credit risks with regard to all HBM Healthcare Investments' assets relate to the risk that a debtor may become unable to meet its liabilities. In order to minimise this risk, HBM Healthcare Investments holds cash and cash equivalents, listed securities, foreign exchange and derivatives only with top-rated financial institutions. In addition, risks are diversified across a number of different counterparties. As at the balance sheet date of 31 March 2014, there were no receivables overdue, and there were no recorded losses on receivables during the 2013/2014 financial year. For the expected payments from escrow amounts and milestones, the maximum default risk refers to the book value of CHF 33.1 million (note 5, "Other financial assets").

11.8 Capital management

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

Details of current share buy-back programmes and the number of treasury shares held by the Company are given in note 6.2, "Treasury shares".

12. Transactions with related parties

12.1 Payments to members of governing bodies and related parties

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

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

The fixed fee for the Chairman amounted to CHF 120,000 (previous year: CHF 240,000) in the reporting year. The fixed fees for the Vice Chairman and the other four members of the Board of Directors remained unchanged at CHF 50,000 and CHF 35,000 respectively per year. In addition, the two members of the Audit Committee receive a fixed fee of CHF 30,000 each per year (previous year: unchanged). The Board of Directors is also entitled to claim a performance fee of a total of 5 percent of the performance fee paid by HBM Healthcare Investments to HBM Partners (note 8.2, "Performance fee"). The performance fee paid to HBM Partners is then reduced by the same amount. As a result, the sum of all performance fees paid out by HBM Healthcare Investments, including those to members of the Board of Directors, equals 15 percent of the increase in net assets.

The six members of the Board of Directors received fixed directors' remuneration totalling CHF 310,000 (previous year: CHF 420,500) for the 2013/2014 financial year. In addition, the two members of the Audit Committee received fees totalling CHF 60,000 (previous year: CHF 60,000). The social security contributions and duties paid by the Company on these fees came to a total of CHF 27,000 (previous year: CHF 22,000). As explained in note 8, "Management fee and performance fee", provision has been made for a performance fee, but no payment has yet been made (previous year: none).

In the 2013/2014 financial year, the members of Management, who are also employed by HBM Partners, received about 36 percent (previous year: about 36 percent) of their total fixed fee paid out from HBM Healthcare Investments Ltd. For the 2013/2014 reporting year, these payments totalled CHF 250,000 (previous year: CHF 244,000), including social security contributions. No performance fee was paid to the members of Management (previous year: none).

A detailed overview of the total compensation paid to individual members of the Board of Directors and Management is shown in the notes to the Parent Company Financial Statements on page 65. The Board of Directors as a whole is responsible for determining compensation.

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

12.2 Investment holdings

HBM Healthcare Investments holds an investment in the Hatteras Venture Partners III fund, where Board member Robert A. Ingram serves as a General Partner. Details of the investment commitment, paid-in capital and the valuation of this investment can be found in the overview of funds given on page 46.

13. Events after the balance sheet date

The Board of Directors of the Company authorised these Consolidated Financial Statements on 12 May 2014. They will be presented to the Ordinary Shareholders' Meeting on 20 June 2014 for approval.

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

To the General Meeting of
HBM Healthcare Investments Ltd, Zug

Zurich, 12 May 2014

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of HBM Healthcare Investments Ltd, which comprise the consolidated balance sheet, consolidated statements of income, comprehensive income, cash flows and changes in equity, and notes (pages 35 to 59), for the year ended 31 March 2014.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with article 14 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange as well as Swiss law.

Emphasis of matter

We draw attention to notes 2.6 and 3 of the consolidated financial statements which have been prepared in accordance with article 16 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of the SIX Swiss Exchange. As indicated in note 3, investments in private companies and funds are measured at fair value of approximately CHF 218.8 million. Due to the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values could differ from their realisable values, whereas the difference may be material. The Board of Directors is responsible for the determination of these fair values. The procedures applied in valuing such investments are disclosed in note 2.6. We have reviewed these procedures and inspected the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment which cannot be independently verified. Our opinion is not qualified in respect to this matter.

Report on other legal requirements

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

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

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

Ernst & Young Ltd



Martin Mattes
Licensed audit expert
(Auditor in charge)



Jörg Schmidt
Licensed audit expert

Parent Company Financial Statements

Balance sheet

	31.3.2014	31.3.2013
Assets (CHF 000)		
Current assets		
Cash and cash equivalents	6,583	3,254
Securities	20,199	12,731
Other current assets	101	23
Total current assets	26,883	16,008
Non-current assets		
Subsidiaries	846,000	605,600
Total non-current assets	846,000	605,600
Total assets	872,883	621,608
Liabilities (CHF 000)		
Short-term liabilities		
Other short-term liabilities	619	3
Accrued liabilities	543	579
Total short-term liabilities	1,162	582
Shareholders' equity		
Share capital	520,650	552,000
Reserves from capital brought in	185,933	182,488
Reserves for treasury shares	27,934	19,867
Free reserves	125,266	133,333
Accumulated income/loss	11,938	-266,662
Total shareholders' equity	871,721	621,026
Total liabilities	872,883	621,608

Statement of income for the financial year ended 31 March

	2013/2014	2012/2013
Operating income (CHF 000)		
Financial income	68	1
Income from participations	40,000	0
Release of value adjustments on subsidiaries	240,400	77,512
Release of value adjustments on securities	0	865
Total operating income	280,468	78,378
Operating expenses (CHF 000)		
Financial expenses	32	18
Personnel expenses	929	1,038
Administration expenses	907	956
Total operating expenses	1,868	2,012
Net result for the year	278,600	76,366

Parent Company Financial Statements

Development of shareholders' equity

(CHF 000)	Number of shares	Share capital	Reserves from capital brought in	Reserves for treasury shares	Free reserves	Accumulated income/loss	Total shareholders equity
Balance as at 31 March 2011	10,200,000	612,000	165,649	26,257	126,943	-317,145	613,704
Capital reduction (1.9.2011)	-400,000	-24,000	6,606	-17,394	17,394		-17,394
Increase in reserves for treasury shares				24,221	-24,221		
Net result for the year						-25,883	-25,883
Balance as at 31 March 2012	9,800,000	588,000	172,255	33,084	120,116	-343,028	570,427
Capital reduction (4.9.2012)	-600,000	-36,000	10,233	-25,767	25,767		-25,767
Increase in reserves for treasury shares				12,550	-12,550		0
Net result for the year						76,366	76,366
Balance as at 31 March 2013	9,200,000	552,000	182,488	19,867	133,333	-266,662	621,026
Capital reduction (30.8.2013)	-300,000	-18,000	3,282	-14,718	14,718		-14,718
Increase in reserves for treasury shares				22,785	-22,785		0
Par value repayment (9.9.2013)		-13,350	163				-13,187
Net result for the year						278,600	278,600
Balance as at 31 March 2014	8,900,000	520,650	185,933	27,934	125,266	11,938	871,721

Parent Company Financial Statements

Notes to the annual financial statements as at 31 March 2014

1. General

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

2. Treasury shares

The Ordinary Shareholders' Meeting of 22 June 2012 authorised the Board of Directors to repurchase a maximum of 920,000 of the Company's own shares via a second trading line in a share buy-back programme. The programme is intended to reduce capital and will run until 30 June 2015 ("2012 share buy-back programme"). Within the framework of this buy-back programme, a total of 494,000 of the Company's own shares have been purchased to date. Of these 190,000 have already been cancelled. As at the balance sheet date of 31 March 2014, the Company therefore holds 304,000 of its own shares (as at 31 March 2013: 263,000 own shares).

During the 2013/2014 financial year, the Company acquired a total of 341,000 of its own shares via the second trading line, at an average price of CHF 65.06 per share (previous year: 265,655 own shares at an average price of CHF 48.34 per share). Of this figure, 37,000 of its own shares were cancelled as at 30 August 2013 as part of the capital reduction.

(Number of own shares)	2013/2014	2012/2013
Own shares (second trading line) at the beginning of financial year	263,000	597,345
+ Purchase of shares via second trading line	341,000	265,655
./. Cancellation of shares as part of capital reduction	300,000 ¹⁾	600,000
Own shares (second trading line) at the end of financial year	304,000	263,000

1) Thereof 110,000 of its own shares were acquired as part of the "2009 share buy-back programme".

In addition, as at 31 March 2014, the Company held a further 133,665 treasury shares (as at 31 March 2013: 144,362 shares), indirectly via its HBM Health-

care Investments (Cayman) Ltd subsidiary. These shares had been acquired via the regular trading line. During the financial year, a total of 112,079 treasury shares were acquired via the regular trading line at an average price of CHF 62.01 (previous year: 222,810 shares at CHF 49.69), while 122,776 treasury shares were sold at an average price of CHF 64.65 (previous year: 234,158 shares at CHF 48.76).

3. Significant shareholders

Based on information received by the Company, the following shareholders report equity holdings in HBM Healthcare Investments Ltd of 3 percent or more as at 31 March 2014.

Shareholding	Shareholder	Latest notification
10 – 15 %	Alpine Select AG, Zug	14.1.2014
5 – 10 %	Astellas Pharma Inc, Tokyo	25.1.2014
3 – 5 %	HBM Healthcare Investments Ltd, Zug (treasury shares)	31.3.2014

4. Information about the completion of a risk assessment

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

5. Major subsidiaries

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

(CHF 000)	Capital as at 31.3.2014	Capital as at 31.3.2013
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 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 holding 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. As a result, changes in the valuations of the subsidiary's underlying investments have an impact on the book value of this holding in the HBM Healthcare Investments Ltd balance sheet.

6. Remuneration to the Board of Directors and Management

Board of Directors (CHF 000)

	Board of Directors' fees and salaries 2013 / 2014	Audit Committee fees 2013 / 2014	Social security and duties 2013 / 2014	Total remuneration 2013 / 2014	Total remuneration 2012 / 2013
Hans Peter Hasler, Chairman	120	0	12	132	248
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	50	30	12	92	92
Mario G. Giuliani, Member (since 22.6.2012)	35	0	2	37	27
Dr Eduard E. Holdener, Member	35	0	1	36	36
Robert A. Ingram, Member	35	0	0	35	35
Dr Rudolf Lanz, Member	35	30	0	65	65
Total Board of Directors	310	60	27	397	503
Management¹⁾					
Dr Andreas Wicki, CEO	135	0	11	146	142
Erwin Troxler, CFO	96	0	8	104	102
Total Management	231	0	19	250	244

1) As mentioned in note 12.1, "Payments to members of governing bodies and related parties" to the Consolidated Financial Statements, the members of Management, who are also employed by HBM Partners, received about 36 percent (previous year: about 36 percent) of their total fixed fee paid out from HBM Healthcare Investments Ltd.

The HBM Healthcare Investments (Cayman) Ltd subsidiary has entered into an advisory agreement with HBM Partners (Cayman) Ltd (HBM Partners Ltd as of the new 2014/2015 financial year starting on 1 April 2014). This agreement requires HBM Partners Ltd to provide services in relation to the investment activities of HBM Healthcare Investments.

The management fee paid to HBM Partners in the 2013/2014 financial year amounted to CHF 10.2 million (previous year: CHF 7.9 million). Further details can be found in the Consolidated Financial Statements, note 8 "Management fee and performance fee" on pages 52 and 53, and note 12 "Transactions with related parties" on pages 58 and 59.

7. Shares held by the Board of Directors and Management

	Registered shares as at 31.3.2014	Registered shares as at 31.3.2013
Board of Directors		
Hans Peter Hasler, Chairman	13,000	13,000
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	3,500	3,500
Mario G. Giuliani, Member	91,790	91,790
Dr Eduard E. Holdener, Member	2,000	2,000
Robert A. Ingram, Member	1,000	1,000
Dr Rudolf Lanz, Member	3,300	3,300
Management		
Dr Andreas Wicki, CEO	33,290	33,290
Erwin Troxler, CFO	2,500	1,000

8. Events after the balance sheet date

The Board of Directors of the Company authorised these Statutory Annual Financial Statements on 12 May 2014. 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.

Proposal of the Board of Directors concerning the appropriation of available earnings

The Board of Directors proposes to carry forward the accumulated income of CHF 11.9 million.

(CHF)

Accumulated income/loss at the beginning of financial year	-266,662,442
Net result for the year	278,600,183
Accumulated income/loss at the end of financial year	11,937,741

The Board of Directors is also proposing to the Ordinary Shareholders' Meeting that a cash dividend of CHF 3.00 per share eligible for dividend (up to a maximum of CHF 25.7 million) be paid from reserves from capital brought in.

To the General Meeting of
HBM Healthcare Investments Ltd, Zug

Zurich, 12 May 2014

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HBM Healthcare Investments Ltd, which comprise the balance sheet, statement of income and notes (pages 62 to 66), for the year ended 31 March 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 March 2014 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

We 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)



Jörg Schmidt
Licensed audit expert

Significant shareholders

Based on the notifications received by the Company, the following shareholders report equity holdings in HBM Healthcare Investments Ltd of 3 percent or more as at 31 March 2014:

Shareholding	Shareholder	Latest notification
10– 15%	Alpine Select Ltd, Zug	14.1.2014
5– 10%	Astellas Pharma Inc., Tokyo	25.1.2014
3– 5%	HBM Healthcare Investments Ltd, Zug (treasury shares)	31.3.2014

Information on shares

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

Fees as of 1 April 2014

Management fees (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 (per share for all outstanding shares):
NAV of CHF 106.21

Board of Directors and Management

Hans Peter Hasler, Chairman
Prof. Dr Dr h.c. mult. Heinz Riesenhuber ¹⁾ , Vice Chairman
Mario G. Giuliani
Dr Eduard E. Holdener
Robert A. Ingram ²⁾
Dr Rudolf Lanz ¹⁾²⁾
Dr Benedikt Suter, Secretary to the Board of Directors
Dr Andreas Wicki, Chief Executive Officer
Erwin Troxler, Chief Financial Officer

1) Member of the Audit Committee

2) Member of the Nominating Committee

Investment Advisor

Europe

HBM Partners Ltd, Zug, Switzerland	
Dr Andreas Wicki, Chief Executive Officer	
Erwin Troxler, Chief Financial Officer	
Dr Alexander Asam	Nina Good
Dr Priyanka Belawat	Thomas Heimann
Axel Bolte, MBA	Dr Chandra Leo
Dr Silvano Cominelli	Dr Erich Platzer
Dr Matthias Fehr	Dr Ivo Stajen, CFA
Dr Ulrich Geilinger	Dr Thomas Thaler

USA

Michael Jasulavic, JMJ Advisors LLC, New York

China

William Keller, Keller Pharma Consultancy Ltd, Shanghai

India

Jagdish V. Doré, Sidvim Life Sciences Private Ltd, Mumbai



Credits

Editorial HBM Healthcare Investments Ltd

Photography iStockphoto, Keystone (Alessandro Della Bella) and Stephan Rappo

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The Annual Report is published in English and German.

The German version is binding in all matters of interpretation.

