



Quarterly Report

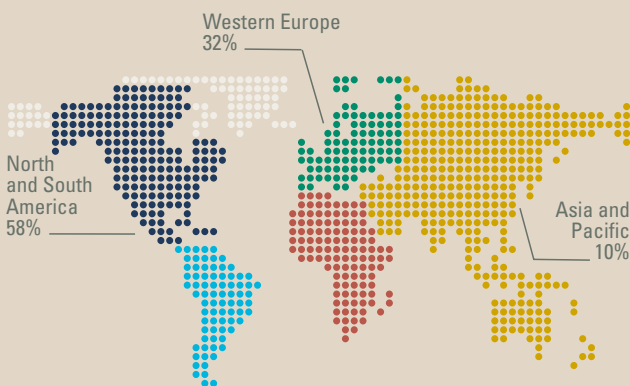
2017
December

HBM Healthcare
Investments

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

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

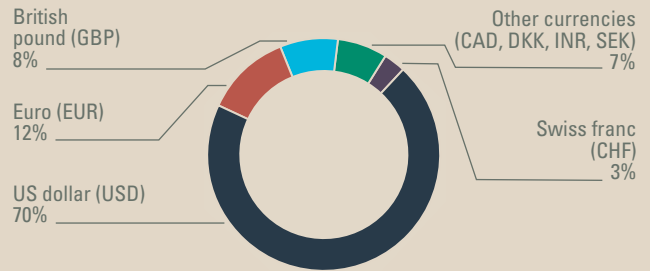
Investments by continents³⁾



1) Total assets as at 31.12.2017: CHF 1242 million.

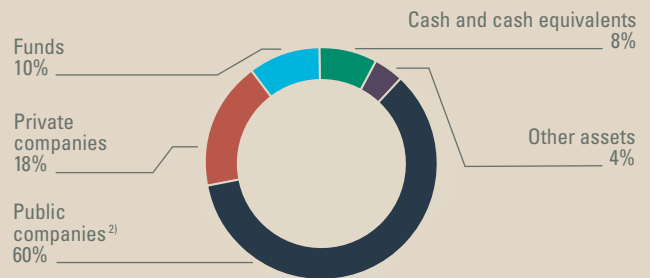
Currency allocation of assets¹⁾

Emphasis on US dollar investments.



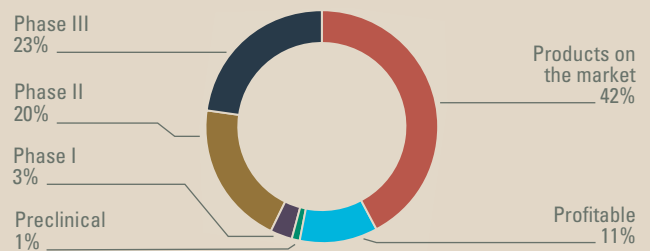
Allocation of assets¹⁾

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



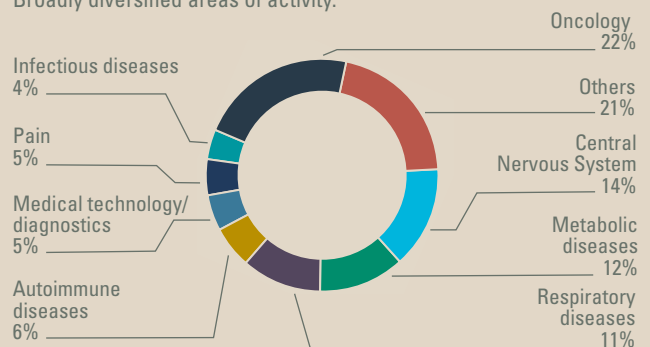
Development phase of portfolio companies³⁾

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



Therapeutic area of the lead product of portfolio companies³⁾

Broadly diversified areas of activity.



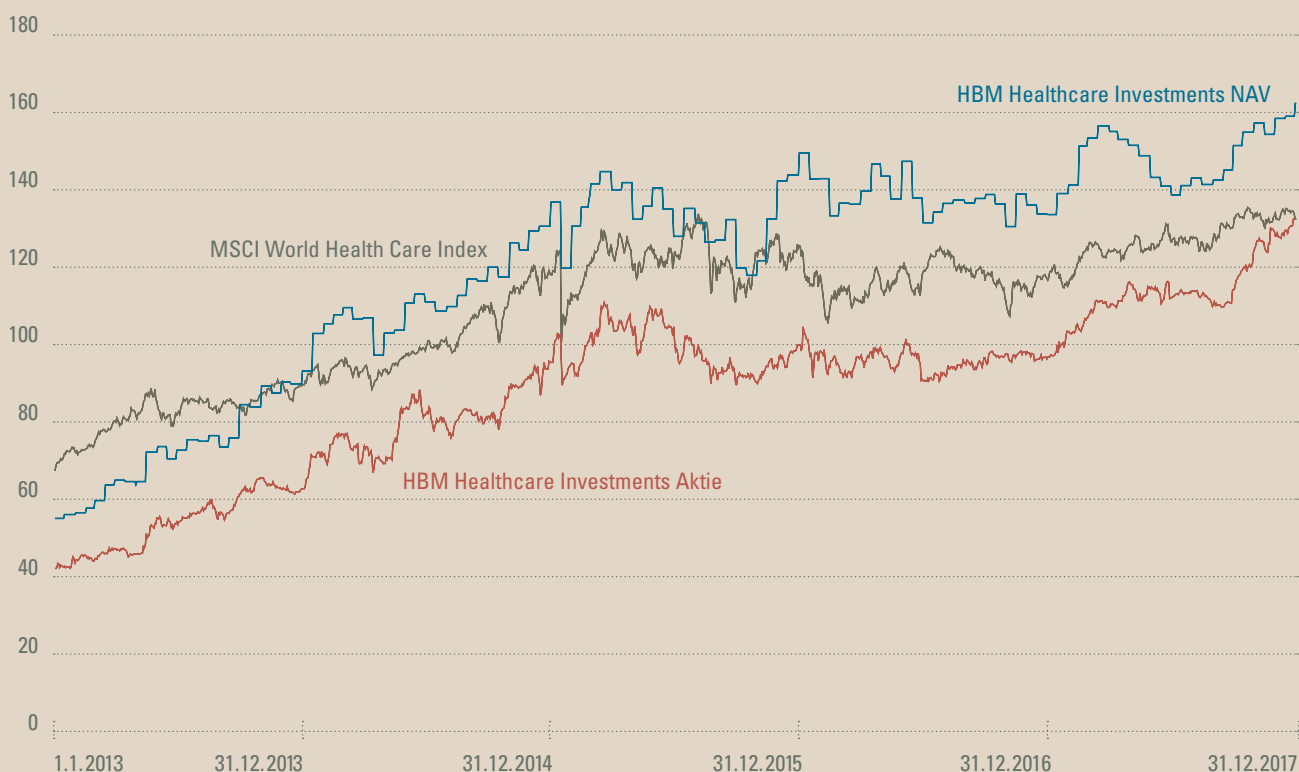
2) Thereof about a fifth is hedged.

3) Total investments as at 31.12.2017: CHF 1093 million.

Key Figures		31.12.2017	31.3.2017	restated 31.3.2016	restated 31.3.2015	31.3.2014
Net assets	CHF million	1 128.2	1 095.8	1 034.8	1 086.6	920.3
Investments in private companies and funds		352.7	274.3	299.5	273.4	218.8
Investments in public companies		740.6	813.6	677.0	748.1	630.5
Cash and cash equivalents		247.8	210.0	104.8	140.4	46.5
Net result for the period	CHF million	85.6	136.8	23.8	257.5	353.5
Basic earnings per share	CHF	12.21	18.96	3.11	32.47	40.98
Net asset value (NAV) per share	CHF	162.07	155.09	139.41	140.12	108.76
Share price	CHF	133.30	111.40	99.45	108.00	75.50
Discount	%	-17.8	-28.2	-28.7	-22.9	-30.6
Distribution per share	CHF		5.80	5.50	5.50	3.00
Distribution yield	%		5.2	5.1	5.1	4.0
Shares issued	Registered shares (m)	7.0	7.3	7.7	8.0	8.9
Shares outstanding	Registered shares (m)	7.0	7.1	7.4	7.8	8.5

Performance (including distributions)		2017/2018 (9 months)	2016/2017	2015/2016	2014/2015	2013/2014
Net asset value (NAV)	%	8.2	15.2	3.4	31.6	61.3
Registered share HBMN	%	24.9	17.5	-2.8	47.0	50.0

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



A strong third quarter further extended HBM Healthcare Investments' profit for the first nine months of the 2017/2018 financial year to a total of CHF 85.6 million. Net asset value (NAV) per share rose by 8.2 percent while the share price even surged by 24.9 percent during the same period. The acquisition of Advanced Accelerator Applications by Novartis demonstrated once again the sure-footedness of HBM Healthcare Investments' selections. Beginning in 2014, we invested just under CHF 40 million in the then-private company. The CHF 200 million realised profit is HBM Healthcare Investments' highest-ever return on a single investment.

Dear Shareholders

HBM Healthcare Investments closed the third quarter of the 2017/2018 financial year, as at 31 December 2017, with a profit of CHF 72.0 million. This takes profit for the first nine months of the financial year to a total of CHF 85.6 million. Net asset value (NAV) per share rose by 8.2 percent, and the share price by 24.9 percent, during the same period.

Significant portfolio developments

The stand-out event during the quarter under review was, without a doubt, Novartis's takeover offer for Advanced Accelerator Applications, the largest holding in our portfolio (quarterly profit of CHF 36 million). HBM Healthcare Investments first took an interest in the then-private company in 2014, and went on to invest a total of just under CHF 40 million before its IPO. After the takeover offer had been announced, the holding was sold in full via the stock exchange at close to the takeover price. The CHF 200 million profit that this realised is HBM Healthcare Investments' highest-ever return on a single investment.

There were two other major contributors to the strong result for the quarter, however. Encouraging data from a clinical phase IIa trial of a drug to treat dermatitis multiplied the market value of AnaptysBio (quarterly profit of CHF 29 million). The company also originates from the portfolio of private companies.

Meanwhile, in December Dutch-based public company Argenx presented phase II results for a compound to treat an autoimmune disorder. This substantially increased the company's valuation (quarterly profit of CHF 17 million).

In addition, private Canadian company Vitaeris reported that it had successfully agreed a strategic alliance with CSL, a public company from Australia. Under the terms of the partnership, CSL will fund clinical trials of Vitaeris's clazakizumab antibody (anti-IL6 MAb) as a treatment to address kidney transplant rejection. CSL also received an option to acquire Vitaeris. As one of its founding shareholders, HBM Healthcare Investments took a USD 3 million stake in Vitaeris, and holds 20 percent of the company. In line with our prudent valuation policy, the deal will not be reflected immediately in reported NAV. However, there should be a significant increase in value if the clinical trials proceed successfully and CSL exercises its purchase option.

New investments

HBM Healthcare Investments made its first investment, of USD 6.5 million, in private US company Aptinyx during the reporting period. Aptinyx has a platform for discovering promising molecules that can be used to treat disorders of the central nervous system. Its most advanced clinical development programme is conducting phase II trials of a compound to treat neuropathic pain.

The existing portfolio of private companies received follow-on financing totalling CHF 11.5 million. As part of this, contractually agreed investment tranches went to Amicus (EUR 4.0 million), Neurelis (USD 2.7 million) and Vascular Dynamics (USD 1.0 million). In addition, US-Danish portfolio company Y-mAbs raised its financing round by USD 30 million to a total of USD 80 million in response to strong demand. HBM Healthcare Investments used this opportunity to boost its existing investment by USD 3.2 million.

As part of the strategy to continue increasing investment exposure to Asia, HBM Healthcare Investments took on a new investment commitment of USD 25 million to the 6 Dimensions Capital investment fund, paying an initial tranche of USD 4.8 million during the quarter just ended. A variety of other holdings in the portfolio of public companies were also extended, and a number of new investments made.

Outlook

The HBM Healthcare Investments portfolio remains in an excellent position in calendar 2018. We expect Vectura, our largest portfolio company, to report in the coming months on talks with the FDA, and further requirements for the approval of the generic version of Advair.

Pacira, our second-largest holding, will participate in February in an Advisory Committee meeting at the FDA to discuss extending approval for its Exparel® pain relief drug for the nerve block indication. The FDA's decision on approval is set for the beginning of April.

Furthermore, over the next 12 months a series of companies representing significant portfolio holdings – AnaptysBio, Esperion, Nabriva and ObsEva – will be releasing clinical study data which, if positive, should produce the corresponding increase in the value of our investments.

We are also expecting further value-generating events over the coming year to 18 months, such as financing rounds, IPOs and acquisitions. In our experience, this will release the added value contained within the holdings in question.

We owe a debt of thanks to you, our shareholders, for the confidence that you have placed in us.



Dr Andreas Wicki
CEO



Erwin Troxler
CFO

Balance sheet (CHF 000)	Notes	31.12.2017	31.3.2017
Assets			
Current assets			
Cash and cash equivalents		7 700	6 115
Receivables		35	51
Total current assets		7 735	6 166
Non-current assets			
Investment in subsidiary	(3)	1 281 595	1 192 834
Total non-current assets		1 281 595	1 192 834
Total assets		1 289 330	1 199 000
Liabilities			
Current liabilities			
Liability to subsidiary		60 000	0
Liability from performance fee		0	1 413
Other liabilities		1 886	2 754
Total current liabilities		61 886	4 167
Non-current liabilities			
Financial liabilities	(4)	99 195	99 072
Total non-current liabilities		99 195	99 072
Shareholders' equity			
Share capital	(5.1)	411 840	427 050
Treasury shares	(5.2)	-9 468	-23 563
Capital reserve	(5.1)	185 318	237 362
Retained earnings		540 559	454 912
Total shareholders' equity		1 128 249	1 095 761
Total liabilities and shareholders' equity		1 289 330	1 199 000
Number of outstanding shares (in 000)		6 961	7 066
Net asset value (NAV) per share (CHF)		162.07	155.09

Statement of comprehensive income for the period 1 April to 31 December (CHF 000)	Notes	Quarter ended 31.12.2017	restated Quarter ended 31.12.2016	9-month period ended 31.12.2017	restated 9-month period ended 31.12.2016
Net change in value of investment in subsidiary	(3)	73 153	-43 702	88 761	-16 862
Result from investment activities		73 153	-43 702	88 761	-16 862
Personnel expenses		-238	-212	-641	-623
Other operating expenses		-248	-142	-640	-523
Result before interest and taxes		72 667	-44 056	87 480	-18 008
Financial expenses	(4)	-620	-607	-1 834	-1 824
Financial income		1	0	1	0
Income taxes		0	0	0	0
Net result for the period		72 048	-44 663	85 647	-19 832
Comprehensive result		72 048	-44 663	85 647	-19 832
Number of outstanding shares, time-weighted (in 000)		6 981	7 168	7 014	7 480
Basic earnings per share (CHF)		10.32	-6.23	12.21	-2.65

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

	9-month period ended 31.12.2017	restated 9-month period ended 31.12.2016
Statement of cash flows for the period 1 April to 31 December (CHF 000)		
Other expenses paid (personnel and other operating expenses)	-2 876	-1 497
Net cash flow from operating activities	-2 876	-1 497
Interest payments paid	-2 273	-2 264
Loan from subsidiary	60 000	70 000
Cash distribution from capital reserve	-40 783	-40 040
Purchase of treasury shares	-12 484	-30 170
Net cash flow from financing activities	4 460	-2 474
Currency translation differences	1	0
Net change in cash and cash equivalents	1 585	-3 971
Cash and cash equivalents at beginning of period	6 115	6 606
Cash and cash equivalents at end of period	7 700	2 635

Statement of changes in equity (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
Balance 31 March 2016 (restated)	450 450	-27 298	293 535	318 140	1 034 827
Comprehensive result				-19 832	-19 832
Purchase of treasury shares		-29 484			-29 484
Distribution from capital reserve (30.6.2016)			-40 040		-40 040
Capital reduction (2.9.2016)	-23 400	39 533	-16 133		0
Balance 31 December 2016 (restated)	427 050	-17 249	237 362	298 308	945 471
Comprehensive result				156 604	156 604
Purchase of treasury shares		-6 314			-6 314
Balance 31 March 2017	427 050	-23 563	237 362	454 912	1 095 761
Comprehensive result				85 647	85 647
Purchase of treasury shares		-12 376			-12 376
Distribution from capital reserve (30.6.2017)			-40 783		-40 783
Capital reduction (14.9.2017)	-15 210	26 471	-11 261		0
Balance 31 December 2017	411 840	-9 468	185 318	540 559	1 128 249

General Statements

1. Information about the Company and its business

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

2. Accounting policies

The condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) IAS 34 on Interim Financial Reporting, and the provisions of the SIX Swiss Exchange Additional Rules on the Listing of Investment Companies. These interim financial statements should be read in conjunction with the Group Financial Statements for the financial year ended 31 March 2017, as they provide an update to the latest full financial report.

In preparing the interim financial statements, the same accounting policies and methods of computation have been applied as in the preparation of the annual financial statements. A summary of the new and revised IFRS/IAS standards and interpretations effective in the year under review is provided on pages 64 and 65 of the Group Financial Statements of the 2016/2017 Annual Report.

The Board of Directors evaluated the implications of the amended standards for the Company and its subsidiaries, in particular with regard to IFRS 10, IFRS 12 and IAS 28. This assessment also included the conclusions reached by the IFRS Interpretations Committee at its meetings in November 2016 and March 2017.

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

HBM Healthcare as the parent company fulfils the typical criteria as well, thus qualifying as an investment entity as defined in IFRS 10. As a result, the scope of the Group Financial Statements will be limited to those of HBM Healthcare as the parent company.

The other newly applied standards and interpretations had no material impact on the Group's accounting policies, overall results or financial position.

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

Exchange rates (CHF)	31.12.2017	31.3.2017
CAD	0.7750	0.7389
DKK	0.1570	0.1436
EUR	1.1696	1.0680
GBP	1.3166	1.2583
INR	0.0153	0.0155
SEK	0.1191	0.1118
USD	0.9743	1.0026

Notes to the Balance Sheet and Statement of Income

3. Investment in Subsidiary

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

	9-month period ended 31.12.2017	9-month period ended 31.12.2016
Development fair value investment (CHF 000)		
Fair value at the beginning of period	1 192 834	1 130 421
Change in value, gross	88 761	– 16 862
Fair value at the end of period	1 281 595	1 113 559

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

Composition net assets (CHF 000)	31.12.2017	31.3.2017	31.12.2016
Cash and cash equivalents	240 080	203 890	73 156
Receivables	235	363	676
Loan to parent company	60 000	0	70 000
Investments			
Private companies	229 093	122 491	150 360
Funds	123 586	151 762	145 640
Public companies	740 613	813 569	628 765
Shares of parent company	10 201	8 879	14 830
Financial instruments	1 995	9 001	4 669
Other financial assets	31 098	39 002	26 104
Total assets	1 436 901	1 348 957	1 114 200
Financial instruments	– 142 874	– 132 991	– 249
Liability from performance fee	– 11 615	– 22 135	0
Other current liabilities	– 817	– 997	– 392
Total net assets at fair value	1 281 595	1 192 834	1 113 559

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

	9-month period ended 31.12.2017	9-month period ended 31.12.2016
Change in net assets at fair value (CHF 000)		
Net result on investments	141 859	-22 761
Dividend income	108	108
Net result from financial instruments	-30 033	4 716
Net result from other financial assets	-1 449	11 007
Net result from shares of parent company	1 317	604
Result from investing activities	111 802	-6 326
Management fee	-10 374	-9 580
Performance fee	-11 615	0
Personnel and other operating expenses	-1 064	-841
Financial result	12	-115
Change in value, gross	88 761	-16 862
Net change in value of investment	88 761	-16 862

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

3.1 Investments

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

Development of investments (CHF 000)	Private companies	Funds	Public companies	Total investments
Fair value 31 March 2017	122 491	151 762	813 569	1 087 822
Purchases	116 102	13 790	311 184	441 076
Sales	-21 969	-50 864	-504 632	-577 465
Realised gains	10 002	33 057	289 829	332 888
Realised losses	-17 042	-439	-15 496	-32 977
Changes in unrealised gains/losses	19 509	-23 720	-153 841	-158 052
Net result on investments	12 469	8 898	120 492	141 859
Fair value 31 December 2017	229 093	123 586	740 613	1 093 292

Details on investments can be found on pages 13 and 14.

Private companies	Domicile	Investment currency	Amount disbursed 31.3.2017	Changes in reporting period	Amount disbursed 31.12.2017	Fair value 31.12.2017	Ownership 31.12.2017	Fair value 31.12.2017	Fair value 31.3.2017
			IW Mio.	IW Mio.	IW Mio.	IW Mio.	%	CHF 000	CHF 000
Cathay Industrial Biotech	CN	USD	28.0		28.0	43.9	9.3	42 724	43 964
Harmony Biosciences	US	USD	0.0	30.0	30.0	30.0	9.4	29 229	0
Amicus	CH	EUR	0.0	20.0	20.0	20.0	29.0	23 393	0
Y-mAbs Therapeutics	DK	USD	0.0	23.2	23.2	23.2	8.8	22 648	0
Westmed Holding	US	USD	7.0		7.0	12.4	22.4	12 115	12 467
ARMO BioSciences	US	USD	10.0	2.0	12.0	12.0	4.0	11 692	10 026
Vascular Dynamics	US	USD	9.0	1.0	10.0	10.0	15.8	9 708	9 005
Neurelis	US	USD	5.5	2.7	8.3	8.2	15.0	8 038	5 514
Aptinyx	US	USD	0.0	6.5	6.5	6.5	2.6	6 333	0
1mg	IN	INR	136.0	265.9	401.9	401.9	9.7	6 130	2 103
FarmaLatam	PA	USD	4.3	1.5	5.8	5.8	64.6	5 624	4 317
SAI Life Sciences	IN	INR	256.4		256.4	352.7	6.1	5 381	5 453
TandemLife (Cardiac Assist)	US	USD	4.4		4.4	5.3	17.8	5 195	3 145
Vitaeris	CA	USD	3.0		3.0	4.0	20.0	3 897	4 010
Homology Medicines	US	USD	0.0	4.0	4.0	4.0	1.9	3 897	0
Formation Biologics	CA	CAD	0.0	5.0	5.0	5.0	10.1	3 875	0
Iconic Therapeutics	US	USD	7.5		7.5	3.8	7.1	3 654	3 760
Shriji Polymers	IN	INR	0.0	201.0	201.0	201.0	2.8	3 066	0
Shape Memory Medical	US	USD	0.0	3.0	3.0	3.0	10.9	2 923	0
Complexa	US	USD	0.0	2.9	2.9	2.9	4.1	2 830	0
Amphora Medical	US	USD	0.0	2.2	2.2	2.2	5.5	2 118	0
True North Therapeutics ¹⁾	US	USD	10.0	-10.0	0.0	0.0	0.0	0	10 026
Other								14 623	8 701
Total private companies								229 093	122 491

1) The position was sold during the reporting period.

Funds	Invest- ment currency	Total commitment	Payments in reporting period	Repayments in reporting period	Cumulative payments 31.12.2017	Cumulative repayments 31.12.2017	Fair value 31.12.2017	Fair value 31.12.2017	Fair value 31.3.2017
			IW Mio.	IW Mio.	IW Mio.	IW Mio.	IW Mio.	CHF 000	CHF 000
HBM BioCapital II ¹⁾	EUR	42.0	4.9	3.2	37.0	3.7	27.8	32 458	27 383
MedFocus Fund II	USD	16.0			16.0	15.0	18.3	17 794	19 497
WuXi Healthcare Ventures II	USD	20.0	0.8	0.2	11.8	0.4	13.2	12 891	11 891
Tata Capital HBM Fund I	USD	10.0	0.2		9.1	0.5	9.4	9 143	7 989
BioMedInvest II	CHF	10.0			10.0	1.8	8.9	8 940	8 360
Hatteras Venture Partners III	USD	10.0			10.0	2.0	8.6	8 394	9 997
HBM Genomics	USD	15.0	2.2		8.4	0.0	8.1	7 929	5 368
BioMedInvest I	CHF	26.0		3.1	26.0	24.6	7.1	7 124	10 400
Galen Partners V	USD	10.0	0.2	5.7	9.8	7.1	5.8	5 696	9 085
Nordic Biotech	DKK	31.0	0.0	209.9	31.0	221.7	30.8	4 815	31 634
6 Dimensions Capital	USD	25.0	4.8		4.8	0.0	4.8	4 722	0
BioVeda China	USD	8.5		4.6	8.5	31.8	0.0	0	5 398
Other								3 680	4 760
Total funds								123 586	151 762

1) The fair value of EUR 27.8 million takes into account the fund's cumulative management fees of EUR 4.7 million. This amount has been reimbursed in full to HBM Healthcare so that fees are not levied twice.

Public companies	Investment	Balance	Changes	Changes	Balance	Ownership	Fair value	Fair value
	currency	31.3.2017	9 months	3 months	31.12.2017	31.12.2017	31.12.2017	31.3.2017
	IC	Number of shares	Number of shares	Number of shares	Number of shares	%	CHF 000	CHF 000
Vectura Group	GBP	67 991 719	-855 368	870 892	67 136 351	9.9	104 035	130 637
Pacira Pharmaceuticals	^{P1} USD	1 100 000	0	0	1 100 000	2.7	48 924	50 290
Esperion Therapeutics	USD	634 407	-53 659	748	580 748	2.2	37 254	22 459
Neurocrine Biosciences	USD	529 500	-116 500	0	413 000	0.5	31 221	22 987
Argenx	EUR	255 000	-5 000	0	250 000	0.8	15 357	4 507
Argenx (ADS)	USD	0	212 222	87 222	212 222	0.7	13 055	0
Genmab	DKK	182 800	-22 800	0	160 000	0.3	25 844	35 248
Acadia Pharmaceuticals	USD	144 990	730 010	725 000	875 000	0.7	25 669	4 998
Galapagos	EUR	156 000	94 000	50 000	250 000	0.5	23 095	13 591
Celgene	USD	11 000	216 000	227 000	227 000	0.0	23 081	1 372
Incyte	USD	205 000	45 000	250 000	250 000	0.1	23 069	27 474
Ultragenyx Pharmaceutical	USD	384 257	115 743	14 272	500 000	1.2	22 594	26 113
AnaptysBio	^{P1} USD	942 835	-713 408	-420 573	229 427	0.4	22 514	26 232
ObsEva	^{P1} USD	2 319 780	0	0	2 319 780	6.3	22 059	24 212
Immunomedics	USD	0	1 400 000	475 786	1 400 000	0.6	22 043	0
Nicox	EUR	1 184 941	528 372	153 313	1 713 313	5.8	20 320	12 418
Tesaro	USD	152 750	97 250	50 000	250 000	0.5	20 185	23 565
Eagle Pharmaceuticals	USD	198 279	182 352	0	380 631	2.6	19 811	16 488
Ascendis Pharma	USD	235 000	165 000	100 000	400 000	1.1	15 612	6 597
Paratek Pharmaceuticals	^{P1} USD	1 200 000	-305 000	70 000	895 000	3.2	15 609	23 160
Clovis	USD	0	230 105	40 105	230 105	0.5	15 245	0
Zogenix	USD	0	365 814	365 814	365 814	1.1	14 274	0
Nabriva Therapeutics	^{P1} USD	2 968 980	-634 973	0	2 334 007	6.4	13 599	35 720
Avexis	USD	62 000	33 000	-40 000	95 000	0.3	10 243	4 726
Divis Laboratories	INR	608 000	0	0	608 000	0.2	10 186	5 864
Puma Biotechnology	USD	0	100 000	50 000	100 000	0.3	9 631	0
Erytech Pharma	EUR	200 000	240 000	100 000	440 000	2.5	9 521	6 002
Retrophin	USD	0	433 952	433 952	433 952	1.1	8 908	0
Bioarctic	SWE	0	2 653 773	2 653 773	2 653 773	3.6	8 215	0
Eiger BioPharmaceuticals	^{P1} USD	603 819	-23 819	0	580 000	5.5	7 883	6 932
Regenxbio	USD	546 000	-304 305	241 695	241 695	0.8	7 830	10 565
Intercept Pharmaceuticals	USD	76 250	48 813	0	125 063	0.5	7 118	8 646
Acclerate Diagnostics	USD	0	250 000	125 000	250 000	0.5	6 382	0
Claris Lifesciences	INR	1 076 025	66 038	49 705	1 142 063	2.1	6 207	5 332
Probiobdrug	^{P1} EUR	497 910	-54 035	-5 169	443 875	5.4	5 503	8 391
Apellis Pharmaceuticals	USD	0	250 000	250 000	250 000	0.5	5 286	0
Coherus Biosciences	USD	582 442	-5 000	0	577 442	1.0	4 951	12 351
Amicus Therapeutics	USD	1 186 604	-841 820	344 784	344 784	0.2	4 834	8 482
Alimera Sciences	USD	3 250 000	250 000	0	3 500 000	5.1	4 535	4 562
Laurus Labs	INR	501 698	0	0	501 698	0.5	4 155	4 004
Collectis	USD	0	143 390	143 390	143 390	0.4	4 072	0
Antares Pharma	USD	3 740 732	-1 989 222	0	1 751 510	1.1	3 396	10 651
Corium International	USD	118 404	215 919	21 266	334 323	0.9	3 130	496
Advanced Accelerator Applications ¹⁾ ^{P1}	USD	3 300 000	-3 300 000	-2 400 000	0	0.0	0	131 880
Other							14 158	76 617
Total public companies							740 613	813 569
Total investments							1 093 292	1 087 822

P1) The position originates from the private companies portfolio.

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

3.2 Financial instruments

The Subsidiary buys and sells derivative financial instruments in the course of its ordinary business activities and as part of its risk management. The following positions were held as at the balance sheet date:

Holdings of financial instruments (CHF 000)	31.12.2017	31.3.2017
Currency hedging		
Forward contracts for currency hedging purposes	0	157
Other financial instruments		
Call and put options	1995	8844
Total long financial instruments	1995	9001
Market hedging		
Sale of ETFs	142874	132991
Total short financial instruments	142874	132991

As at the balance sheet date, a partial hedge of the general market risk derived from public investments was in place. Worth CHF 142.9 million, it consisted of the short sale of 1.7 million units of the SPDR S&P Biotech ETF (Exchange Traded Fund).

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

	9-month period ended 31.12.2017	9-month period ended 31.12.2016
Income from financial instruments (CHF 000)		
Gains from currency hedging transactions	0	4296
Gains from other financial instruments	2158	2954
Total gains from financial instruments	2158	7250
Losses from currency hedging transactions	-1973	0
Losses from market hedging transactions	-25941	0
Losses from other financial instruments	-4277	-2534
Total losses from financial instruments	-32191	-2534
Net result from financial instruments	-30033	4716

3.3 Other financial assets

Other financial assets consist primarily of contractual claims to purchase price payments from earlier trade sales that are contingent on the achievement of defined targets (milestone payments). These claims are recognised at fair value through profit and loss by applying a probability-weighted valuation approach based on the assessment of the likelihood of attaining the underlying targets. These claims are discounted over time at a discount rate of 11.0 percent (previous year: 11.0 percent) in the Group Financial Statements. The valuation measures applied refer to commonly used industry statistics as well as own guidelines and estimates.

Of the total book value as at 31 December 2017, CHF 31.1 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 4.2 million are reported under "Investments - Other private companies" (claims from investments held indirectly via HBM BioCapital I).

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

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

Balance sheet value and potential cash flows (CHF million)	Book value 31.12.2017	Cash flows minimum	Cash flows maximum	Expected period of payment
mtm laboratories	13.8	0.9	26.9	2019
Nereus ¹⁾	10.2	0.0	26.7	2018–2025
True North Therapeutics	6.4	1.3	14.6	2018–2020
Interventional Spine	3.1	2.3	5.6	2018–2019
Kolltan ²⁾	1.8	0.0	0.0	from 2018 onwards
Tripex (former Mpex) ³⁾	0.0	0.0	5.3	from 2018 onwards
Total	35.3	4.5	>79.1	

1) The valuation is based on a previous asset sale to Triphase Accelerator and on the share price of BeyondSpring, and thus depends on the share price development.

2) The valuation is based on the share price of CellDex, and thus depends on the share price development.

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

3.4 Management fee and performance fee

The management fee due to HBM Partners amounts to 0.75 percent per year of the Company's assets plus 0.75 percent per year of its market capitalisation, payable quarterly at the beginning of a quarter. In the 9-month period up to the end of December 2017, HBM Partners was paid CHF 10.4 million (previous year: CHF 9.6 million).

A provision for a performance fee of CHF 11.6 million was made during the reporting period

(previous year: none) because net assets as at the balance sheet date did exceed the highest net assets (high water mark) used as the calculation basis for the last performance fee payment. The high water mark for all outstanding shares is CHF 152.62 (adjusted for any dividends and capital repayments to shareholders). The cut-off date for the payment of any performance fee is 31 March of a financial year.

3.5 Off-balance-sheet commitments

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

Investment commitments (CHF 000)	31.12.2017	31.3.2017
HBM BioCapital I+II	6 111	11 367
Other funds	35 395	19 596
Private companies	10 158	5 246
Total investment commitments	51 664	36 209

4. Non-current financial liabilities

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

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

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

5. Shareholders' equity

5.1 Share capital and capital reserve

As at the balance sheet date, the Company's share capital stood at CHF 411.84 million, divided into 7040000 registered shares at a par value of

CHF 58.50 each. At the Ordinary Shareholders' Meeting of 26 June 2017, the decision was made to cancel 260 000 treasury shares. The capital reduction was entered in the Commercial Register of the Canton of Zug on 14 September 2017.

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

5.2 Treasury shares

The Ordinary Shareholders' Meeting of 24 June 2016 authorised the Board of Directors to repurchase a maximum of 730 000 of the Company's own shares via a second trading line. The aim of this share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 23 June 2019 ("2016 share buy-back programme"). The programme started on 6 October 2016. Under this share buy-back programme a total of 239 710 of the Company's own shares have been repurchased up to the balance sheet date.

The Company holds 78 710 of its own shares (as at 31 March 2017: 234 500) as at the balance sheet date. In the 9-month period of the current financial year, a total of 104 210 of the Company's own shares were acquired at an average price of CHF 118.76 per share (previous year: 298 500 own shares at an average price of CHF 98.77).

Holdings from second trading line

(Number of own shares)

Beginning of period 1 April 2017	234 500
Acquired via second trading line under share buy-back programme	104 210
Capital reduction owing to cancellation of own shares	-260 000
End of period 31 December 2017	78 710

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd holds 76 529 treasury shares (as at 31 March 2017: 79 699), acquired via the regular trading line. During the 9-month period the Subsidiary acquired a total of 378 510 treasury shares via the regular trading line at an average price of CHF 117.53 per share (previous year: 216 295 shares at CHF 98.35) and sold 381 680 treasury shares at an average price of CHF 116.50 (previous year: 216 247 shares at CHF 97.59).

6. Transactions with related parties

HBM Healthcare holds an investment in the Hatteras Venture Partners III fund, where Board member Robert A. Ingram serves as General Partner. For details on the investment commitment, paid-in capital and valuation of this investment, please refer to the overview of funds on page 13.

hbmhealthcare.com

HBMN

SIX Swiss Exchange Ticker

Significant shareholders

Based on the notifications received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 December 2017:

Shareholding

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

Board of Directors and Management

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

Investment Advisor

HBM Partners Ltd, Zug	www.hbmpartners.com
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Fees

Management fee (paid quarterly): 0.75% p.a. of Company assets plus 0.75% p.a. 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 152.62

Credits

Editorial HBM Healthcare Investments Ltd
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