



Annual Report

2020

2021

HBM Healthcare
Investments



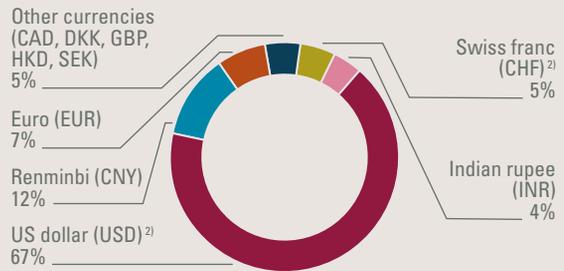
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HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. The company holds and manages an international portfolio of promising companies.

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

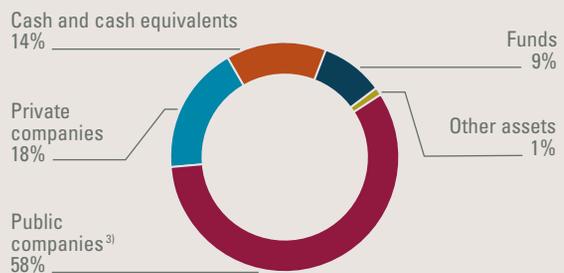
Currency allocation of assets¹⁾

Emphasis on US dollar investments.



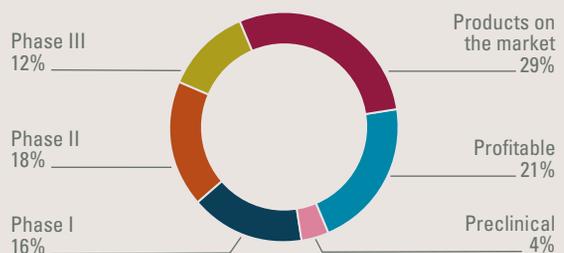
Allocation of assets¹⁾

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



Development phase of portfolio companies⁴⁾

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



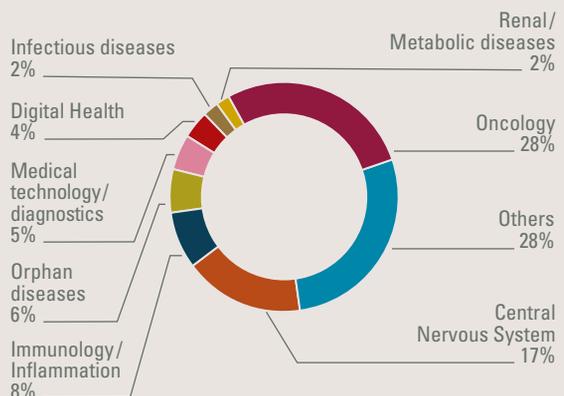
Investments by continents⁴⁾

International portfolio with focus on North America.



Therapeutic area of the lead product of portfolio companies⁴⁾

Broadly diversified areas of activity.



1) Total consolidated assets net of liability from market hedging as at 31.3.2021: CHF 2407 million.

2) Net of foreign currency hedge (USD/CHF): about USD 31 percent and CHF 41 percent respectively.

3) About 54 percent net of market hedge.

4) Total investments as at 31.3.2021: CHF 2067 million.

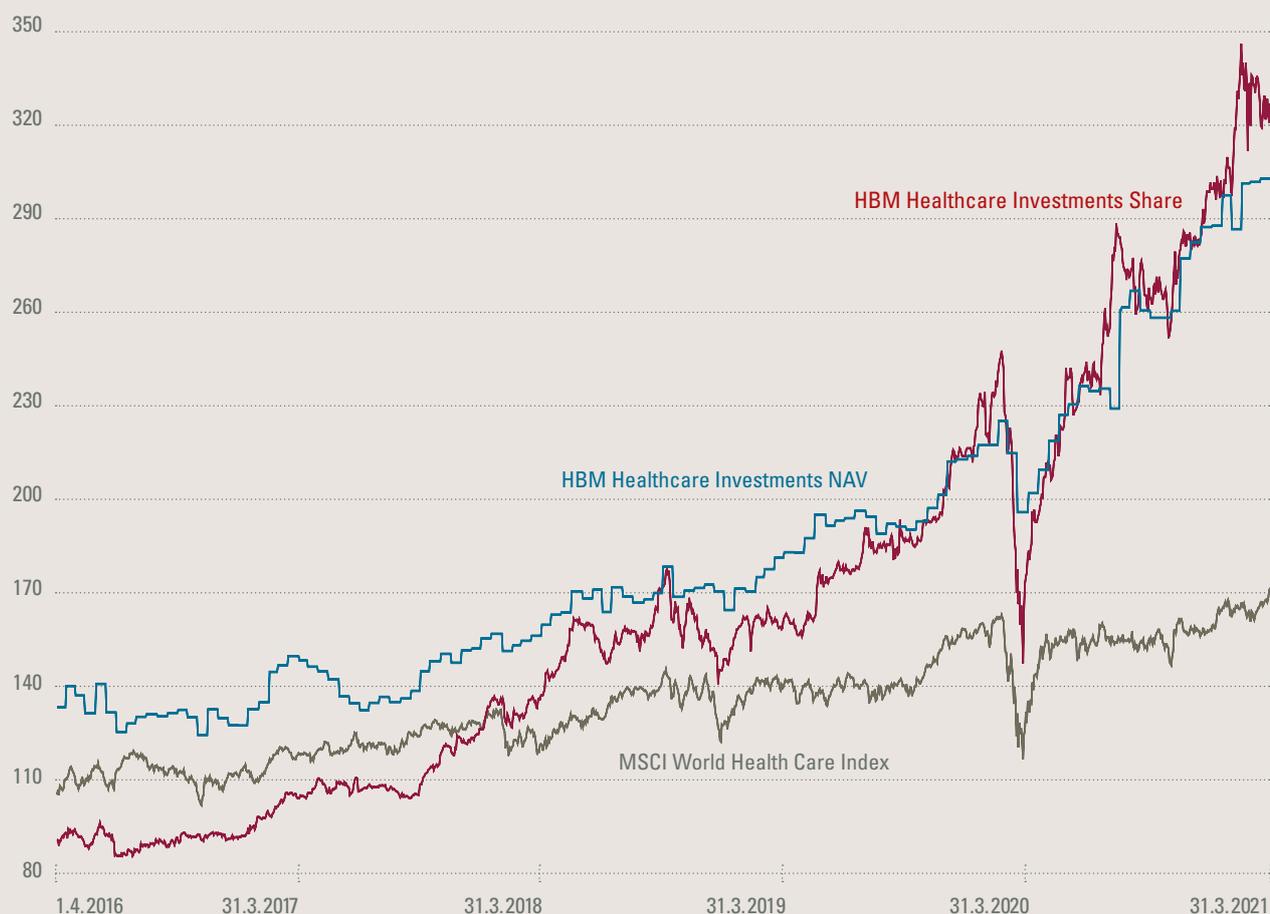
Key Figures		31.3.2021	31.3.2020	31.3.2019	31.3.2018	31.3.2017
Net assets	CHF million	2 151.5	1 448.8	1 318.3	1 157.9	1 095.8
Investments in private companies and funds		662.8	706.4	542.1	413.9	274.3
Investments in public companies		1 404.2	629.9	688.2	750.0	813.6
Cash and cash equivalents (net of liability from market hedging)		327.0	224.2	176.2	72.4	77.0
Net result for the year	CHF million	756.3	182.7	209.1	115.9	136.8
Basic earnings per share	CHF	108.71	26.26	30.05	16.55	18.96
Net asset value (NAV) per share	CHF	309.25	208.25	189.48	166.43	155.09
Share price	CHF	332.50	190.00	168.80	144.00	111.40
Premium (+) / discount (-)	%	+7.5	-8.8	-10.9	-13.5	-28.2
Distribution per share	CHF	12.50 ¹⁾	7.70	7.50	7.00	5.80
Distribution yield	%	3.8	4.1	4.4	4.9	5.2
Shares issued	Registered shares (m)	7.0	7.0	7.0	7.0	7.3
Shares outstanding	Registered shares (m)	7.0	7.0	7.0	7.0	7.1

1) Proposal to the Shareholders' Meeting for a cash distribution from repayment of par value per registered share entitled to dividend. Thereof CHF 9.50 as ordinary distribution and CHF 3.00

as a special distribution to mark the 20th anniversary of the Company.

Performance (including distributions)		2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Net asset value (NAV)	%	52.2	13.9	18.1	11.1	15.2
Registered share HBMN	%	79.1	17.0	22.1	34.5	17.5

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



20 Years of HBM Healthcare

2001 – 2021

CHF 756 million
Profit for the year

> CHF 2 billion
net assets

79 percent
Value increase of HBMN share
including cash distribution

CHF 12.50 per share
Cash distribution to shareholders
including CHF 3.00 anniversary distribution



188 years

188 years is the current age of the oldest tortoise alive, while sea turtles are said to reach an impressive age of over 80. What is the secret of longevity and how can our life expectancy be increased?

The aim of medical and pharmaceutical research is to develop effective treatments for known and rare life-threatening diseases and therefore increase life expectancy. Technical advances are opening up unimagined new opportunities all the time. One of the milestones along this path was the decoding of the human genome 20 years ago, which was the first step along the way to the targeted gene therapies of today. The J. Craig Venter Institute played an important role in the Human Genome Project and has largely been responsible for the increased focus on the depths of the oceans by researchers. There are still countless unknown and useful organisms and genes to discover in the oceans around the world. For 20 years, HBM Healthcare Investments has been supporting promising companies in the healthcare sector who are working directly or indirectly to improve life expectancy and the quality of life for us humans.

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



In the 2020/2021 financial year, HBM Healthcare Investments recorded a profit of CHF 756 million, the highest since it was founded 20 years ago. The net asset value (NAV) rose by more than half (+52 percent) in the reporting year and the HBMN shares advanced 79 percent including distribution. The profit can mainly be attributed to IPOs and takeovers from the portfolio of private companies and is clear evidence of the success of HBM Healthcare's investment strategy. Over the past 20 years, HBM Healthcare Investments has channelled some CHF 2 billion in more than 160 private companies and supported the development of numerous medical innovations as a result. Based on the excellent financial results, the Board of Directors is proposing a considerably higher cash distribution of CHF 12.50 per share. Dr Elaine V. Jones is the new candidate for election to the Board of Directors, while long-standing directors Prof. Dr Heinz Riesenhuber (Vice Chairman), Dr Eduard E. Holdener and Robert A. Ingram are not standing for re-election.

Dear Shareholders

The decoding of the human genome in 2001 was a milestone in fundamental medical research and acted as a catalyst for numerous biotech companies. It triggered billions of dollars of investments and promoted the development of new medical applications. This was an ideal starting point for HBM Healthcare Investments which was founded in the same year with the aim to invest in emerging companies in the healthcare sector.

Two decades later, HBM Healthcare Investments provided impressive evidence of the success of its investment strategy when it closed its anniversary year with a record profit of CHF 756 million.



HBM Healthcare Investments has successfully established itself as a global investor in the healthcare sector with a dense network of excellent contacts. This proved to be a significant advantage, especially given the restrictions during the pandemic.

Over the last 20 years, the Company has invested some CHF 2 billion in more than 160 private companies. Many of these companies have launched innovative medical products and been successfully floated on the stock market or taken over by pharmaceuticals companies.

With all this success, we must not forget that our Company has also lived through difficult times in the market, but this taught us a great deal and made us stronger. In this respect, we are satisfied with what we have achieved to date. It provides a solid starting point for the next 20 years of HBM Healthcare Investments.

Changes to the Board of Directors

The Board of Directors is proposing Dr Elaine V. Jones for election to the Board of Directors. Dr Jones is an experienced manager with excellent connections. She has more than 20 years of investment experience in venture capital financing, focusing on biosciences. For more than ten years, she was vice-president at Pfizer Ventures with responsibility for managing investments in biotechnology and healthcare companies. Prior to that, Dr Jones worked at EuclidSR Partners and at SR One, the former venture capital fund of GlaxoSmithKline.

"The record profit in our anniversary year is clear evidence of the success of HBM Healthcare's investment strategy."

Hans Peter Hasler
Chairman of the Board of Directors

Dr Jones obtained a degree in biology at Juniata College before completing a doctorate in microbiology at the University of Pittsburgh. She then carried out post-doctoral research at the National Institute of Allergy and Infectious Diseases (NIAID). She is a member of the Board of Directors of three public companies, Gritstone Oncology (Chairwoman), CytomX Therapeutics and NextCure, Chairwoman of the Board of Directors of private British company Mironid and a Member of the Board of Directors of the Novartis Venture Fund.

The three long-standing members of the Board of Directors, Prof. Dr Heinz Riesenhuber (Vice Chairman), Dr Eduard E. Holdener and Robert A. Ingram, are retiring and therefore will not stand for re-election at the forthcoming Shareholders' Meeting.

Over the last two decades, Heinz, Ed and Bob have been instrumental in establishing and building up our company. We thank them for their valuable services and enormous commitment over the years and wish them all the best for their personal future. At the same time, we are looking forward to working with Elaine Jones and the current directors Ruedi Lanz, Germano Giuliani and Stella Xu.

Record profit of CHF 756 million

In the 2020/2021 financial year, HBM Healthcare Investments achieved a profit of CHF 756 million, the largest since the Company was founded. In the reporting year, net asset value (NAV) rose by 52 percent. Including distributions, Shareholders achieved an impressive return of 79 percent.

The private companies portfolio (including the public companies originating from the portfolio of private companies) increased by a total of CHF 662 million. The increase in value was largely the result of 12 IPOs (BioAtla CHF 94 million, Harmony Biosciences CHF 79 million, Cathay Biotech CHF 76 million, ALX Oncology CHF 49 million, Instil Bio CHF 36 million, others CHF 76 million) and seven acquisitions in the reporting year (Viela Bio, Forbius and Corvidia CHF 22 million each and others CHF 18 million). The total gains from the other revaluations came to CHF 168 million.

"Over two decades, HBM Healthcare has invested around CHF 2 billion in more than 160 private companies, supporting the development of numerous medical innovations."

Dr Andreas Wicki
Chief Executive Officer

Of this, CHF 123 million was from changes in market prices of public companies (SpringWorks CHF 49 million, Pacira BioSciences CHF 30 million and others CHF 44 million) and CHF 45 million from write-ups in relation to private companies in line with valuation rules. This figure includes write-downs of CHF 16 million relating to a few smaller investments owing to unsatisfactory trial results.

The increase in the value of fund investments amounted to CHF 49 million. This was primarily attributable to two funds: HBM Genomics (CHF 23 million, primarily driven by the IPO of Seer) and 6 Dimensions Capital (CHF 19 million, various IPOs and takeover of Viela Bio).

The portfolio of public companies grew by CHF 276 million. The largest contribution of CHF 68 million came from the takeover of Immunomedics by Gilead. Gains were also made by Argenx (CHF 38 million), Rocket Pharmaceuticals and Biohaven Pharmaceuticals (CHF 21 million each).

The hedging positions for market and foreign currency risks burdened the result with CHF 57 million and CHF 12 million respectively, while the other assets lowered the result by CHF 1 million net.

The management fees of CHF 26 million reflected the increase in net assets and market capitalisation. The large increase in value above the high water mark achieved during the reporting year triggers performance fees of CHF 121 million to the investment advisor and CHF 8 million variable compensation to the Board of Directors. Other operating and financial expenses were stable and came in below CHF 6 million.

Net assets exceed CHF 2 billion

Net assets increased by CHF 0.7 billion to CHF 2.15 billion in the reporting year. Of the overall assets of CHF 2.4 billion¹⁾, 18 percent were allocated to private companies, 9 percent to funds, 58 percent to public companies and 1 percent to other assets. Around two-thirds of the public companies originate from the private companies portfolio. The proportion of cash and cash equivalents¹⁾ amounted to 14 percent of net assets.

1) After deduction of the liability from market hedging amounting to CHF 0.1 billion.



Market hedging was reduced in the first calendar quarter and, as at the end of March, represented around 7 percent of the portfolio of listed companies. The extent of currency hedging of the US dollar against the Swiss franc was around 53 percent.

CHF 270 million invested in private companies

In the reporting year, HBM Healthcare Investments invested a total of CHF 211 million in 24 new private companies. CHF 176 million of this total was paid in and CHF 35 million booked as investment commitment. An additional CHF 59 million was invested in existing private companies as follow-on financings.

Six new investments were made in private companies in the first calendar quarter of 2021.

- IO Biotech based in Copenhagen, Denmark, received an investment commitment of EUR 20 million (EUR 8 million paid in). The company has a pipeline of immunotherapies for the treatment of cancer.
- Mineralys Therapeutics in Philadelphia, USA, received an investment commitment of USD 10 million (USD 6.7 million paid in). Mineralys is testing a molecule to treat high blood pressure in phase II of clinical development.



Further investments of between USD 5 and 7.5 million each were made in Visen Pharmaceuticals (development and marketing of endocrinology treatments for rare diseases for Ascendis Pharma in China), eGenesis Bio (gene editing technology used in xenotransplantation), Pyxis Oncology (portfolio of potent biologics for difficult-to-treat cancers) and FogPharma (development platform based on cell-penetrating mini proteins (CPMPs) for innovative cancer treatments).

Details on the new investments made in previous quarters can be found in the respective quarterly reports.

In addition to direct investments, new investment commitments were made to two funds which are primarily active in China. USD 25 million is allocated to 120 Capital (formerly 6 Dimensions Capital) and USD 15 million to C-Bridge Healthcare Fund V.

Substantial increase in cash distribution to CHF 12.50 per share

Thanks to excellent business results and a positive outlook, cash distribution can be significantly increased. The Board of Directors is proposing to the Shareholders' Meeting to raise the ordinary distribution from the previous CHF 7.70 per share to CHF 9.50 per share. In addition, Shareholders are to benefit from a one-off anniversary payment of CHF 3.00. The proposed payout therefore amounts to a total of CHF 12.50 per share in the form of a withholding tax-exempt par value repayment.

"The excellent financial result and the positive outlook allow a significant increase in the cash distribution to Shareholders."

Erwin Troxler
Chief Financial Officer

Outlook

The HBM Healthcare Investments' portfolio has been carefully assembled and is very well balanced. The major investments are in quality companies with excellent market positions in their fields. These companies are therefore interesting candidates for takeovers, but can also remain independently and create substantial added value on their own.

The Company also holds smaller investments in promising companies in earlier development phases which therefore have high value-creation potential. These investments are carefully monitored and will be increased over time if their potential continues to be considered intact.

In the reporting year, a range of promising new investments was added to the portfolio.

The fundamental outlook for the healthcare sector remains positive. The innovation developed by the companies and the still untapped demand for medical treatments offer numerous attractive investment opportunities. We still rate the environment for finance, public offerings and company takeovers as good. All this is proof of the strength of the Company's investment strategy, which should continue to generate considerable added value in the years to come.

We thank you, our valued Shareholders, for the confidence you have been placing in us for two decades. We will do everything we can to ensure HBM Healthcare Investments will continue to be successful over the next 20 years.



Hans Peter Hasler
Chairman of the Board of Directors



Dr Andreas Wicki
Chief Executive Officer



Erwin Troxler
Chief Financial Officer

Balance sheet (CHF 000)	Notes to IFRS Group Financial Statements ¹⁾	Consolidated Financials ²⁾ 31.3.2021 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 31.3.2021 (audited)
Assets				
Current assets				
Cash and cash equivalents		429 168	-423 135	6 033
Receivables		178	-161	17
Total current assets		429 346	-423 296	6 050
Non-current assets				
Investments	(3.1)	2 066 958	-2 066 958	0
Other financial assets	(3.3)	38 279	-38 279	0
Investment in subsidiary		0	2 255 830	2 255 830
Total non-current assets		2 105 237	150 593	2 255 830
Total assets		2 534 583	-272 703	2 261 880
Liabilities				
Current liabilities				
Financial instruments	(3.2)	128 888	-128 888	0
Liability from performance fee	(3.4)	128 818	-120 664	8 154
Financial liabilities	(4)	49 967	0	49 967
Other liabilities		3 175	-704	2 471
Total current liabilities		310 848	-250 256	60 592
Non-current liabilities				
Provision for deferred tax on capital gain and other taxes	(3.5)	24 725	-24 725	0
Financial liabilities	(4)	49 803	0	49 803
Total non-current liabilities		74 528	-24 725	49 803
Shareholders' equity				
Share capital		290 928	0	290 928
Treasury shares		-2 660	2 258	-402
Capital reserve		157 903	-15 766	142 137
Retained earnings		1 703 036	15 786	1 718 822
Total shareholders' equity		2 149 207	2 278	2 151 485
Total liabilities and shareholders' equity		2 534 583	-272 703	2 261 880
Number of outstanding shares (in 000)		6 950	7	6 957
Net asset value (NAV) per share (CHF)		309.23		309.25

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

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

3) Reconciliation to the audited IFRS Group Financial Statements. Based on IFRS 10, the subsidiary is not consolidated, but is

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

Statement of comprehensive income for the financial year ended 31 March (CHF 000)	Notes to IFRS Group Financial Statements ¹⁾	Consolidated Financials ²⁾ 2020/2021 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 2020/2021 (audited)
Net result on investments	(3.1)	986 925	-986 925	0
Change in provision for deferred tax on capital gain and other taxes	(3.5)	-7 556	7 556	0
Dividend income		374	-374	0
Net result from financial instruments	(3.2)	-67 672	67 672	0
Net result from other financial assets		-767	767	0
Dividend income from investment in subsidiary		0	59 000	59 000
Net change in value of investment in subsidiary		0	709 780	709 780
Result from investment activities		911 304	-142 524	768 780
Management fee	(3.4)	-26 326	26 326	0
Performance fee	(3.4)	-120 664	120 664	0
Personnel expenses	(6)	-10 323	1 028	-9 295
Other operating expenses		-1 069	327	-742
Result before interest and taxes		752 922	5 821	758 743
Financial expenses		-2 480	8	-2 472
Financial income		4	-4	0
Income taxes		0	0	0
Net result for the year		750 446	5 825	756 271
Comprehensive result		750 446	5 825	756 271
Number of outstanding shares, time-weighted (in 000)		6 929	28	6 957
Basic earnings per share (CHF)		108.30		108.71

For the footnotes, see page 12.

Statement of cash flows for the financial year ended 31 March (CHF 000)	Consolidated Financials ²⁾ 2020/2021 (unaudited)	Translation ³⁾	IFRS Group Finan- cial Statements 2020/2021 (audited)
Management fee paid	- 26 326	26 326	0
Performance fee for previous reporting period paid	- 26 262	26 262	0
Expenses paid (personnel and other operating expenses)	- 2 815	- 411	- 3 226
Net cash flow from operating activities	- 55 403	52 177	- 3 226
Interest and dividend payments received	374	- 374	0
Dividend payment from subsidiary received	0	59 000	59 000
Purchase of investments	- 729 707	729 707	0
Sale of investments	952 366	- 952 366	0
Payments received from milestones	4 024	- 4 024	0
Net cash flow from financial instruments for currency hedging	19 115	- 19 115	0
Net cash flow from financial instruments for market hedging	45 187	- 45 187	0
Purchase of other financial instruments	- 30 148	30 148	0
Sale of other financial instruments	31 860	- 31 860	0
Net cash flow from investing activities	293 071	- 234 071	59 000
Interest paid	- 2 272	5	- 2 267
Par value repayment	- 53 505	- 65	- 53 570
Purchase of treasury shares	- 40 643	40 643	0
Sale of treasury shares	62 814	- 62 814	0
Net cash flow from financing activities	- 33 606	- 22 231	- 55 837
Currency translation differences	906	- 906	0
Net change in cash and cash equivalents	204 968	- 205 031	- 63
Cash and cash equivalents at beginning of period	224 200		6 096
Cash and cash equivalents at end of period	429 168		6 033

For the footnotes, see page 12.

Statement of changes in equity (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total consolidated shareholders' equity ²⁾ (unaudited)	Translation ³⁾	Total shareholders' equity IFRS (audited)
Balance as at 31 March 2020	344 520	-18 870	151 855	952 590	1 430 095	18 689	1 448 784
Comprehensive result				750 446	750 446	5 825	756 271
Purchase of treasury shares		-40 643			-40 643	40 643	0
Sale of treasury shares		56 853	5 961		62 814	-62 814	0
Par value repayment (10.9.2020)	-53 592		87		-53 505	-65	-53 570
Balance as at 31 March 2021	290 928	-2 660	157 903	1 703 036	2 149 207	2 278	2 151 485

For the footnotes, see page 12.

Portfolio Companies



CHF 145 million Harmony Biosciences
(fair value CHF 144.7 million / 6.7% of net assets)

ALX Oncology **CHF 65 million**
(fair value CHF 65.3 million / 3.0% of net assets)

Neurelis **CHF 53 million**
(fair value CHF 53.1 million / 2.5% of net assets)

CHF 33 million Biohaven Pharmaceuticals
(fair value CHF 32.7 million / 1.5% of net assets)

CHF 26 million Turning Point Therapeutics
(fair value CHF 25.5 million / 1.2% of net assets)

Monte Rosa Therapeutics **CHF 18 million**
(fair value CHF 17.8 million / 0.8% of net assets)

CHF 9 million Karius
(fair value CHF 9.4 million / 0.4% of net assets)

Harmony Biosciences

Plymouth Meeting, USA

USD 1880 million

Market capitalisation as at 31.3.2021

Innovative drug for treatment of
excessive daytime sleepiness
with/without cataplexy

CHF 145 million

Fair value as at 31.3.2021



NASDAQ

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

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

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

Numerous clinical studies have already been completed using Pitolisant. It is effective against excessive daytime sleepiness and cataplexy and has a favourable side effect profile. The active substance has been marketed in Europe since 2016 under the brand name Wakix® to treat narcolepsy in adult patients with and without cataplexy. Over the last 18 months, Pitolisant obtained authorisation from the FDA to treat cataplexy or excessive daytime sleepiness in patients with narcolepsy. It is the first and only approved oral treatment for narcolepsy that is not classified as a controlled substance by the US Drug Enforcement Administration (DEA). Wakix® achieved revenue of USD 160 million in 2020. Analysts forecast strong growth for the coming years, in particular due to the authorisation for the label extension to include cataplexy, which was obtained a couple of months ago.

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

ALX Oncology

Burlingame, USA

USD 2956 million

Market capitalisation as at 31.3.2021

Novel
checkpoint inhibitor
in immuno-oncology

CHF 65 million

Fair value as at 31.3.2021



NASDAQ

The immune system has long been the focus of cancer research and treatment. Until now, cancer immunotherapies have been centred around the adaptive immune system. This includes B and T cells which are targeted specifically at tumour antigens. However, the innate, non-specific immune system also plays a major role in fighting tumours. With macrophages ("eating cells"), scientists have been researching typical agents in the non-specific defence system in order to develop new cancer drugs.

Patrolling immune cells, or macrophages, recognise whether a body cell needs to be eliminated based on the characteristics of the cell's surface. Cancer cells also have an "eat me" signal in the form of the calreticulin protein. In order to survive, the cells generate another surface protein which repels the eating cells. If this protective CD47 protein is blocked by an antibody, the immune cells can destroy the cancer cells. This form of antibody therapy does not attack healthy cells, as, although they produce CD47 signals, they produce hardly any calreticulin.

ALX Oncology is developing therapies that block the CD47 checkpoint mechanism to treat different forms of solid tumours and leukaemia. The most advanced candidate by far, ALX148, is being developed to treat myelodysplastic syndromes (MDS)

and acute myeloid leukaemia (AML). The company intends to further develop ALX148 both as a monotherapy and also in combination with other treatments for a particular type of head and neck cancer, gastric and esophageal cancer, non-Hodgkin's lymphoma and other solid tumour diseases. It has entered into partnerships with Merck and Zymeworks.

The checkpoint inhibitor ALX148 is designed to have an affinity for CD47 and avoids the limitations caused by haematologic toxicities, such as anaemia, which are inherent in other CD47 blocking approaches. In addition, ALX148 acts against CD47/SIRP α to prevent CD47 from binding to the macrophage receptor SIRP α ("signal regulatory protein alpha"). This is like releasing a "brake" in the macrophages and the eating cells can destroy the cancer cell.

During the first clinical trials, the drug candidate demonstrated promising results in terms of effectiveness and resistance as well as potential with dosage. In particular in the area of treating solid tumours, the analysts expect high revenue potential combined with limited competition. ALX148 had been granted fast track designations from the FDA for two indications. The phase Ib study results are expected mid-year and during the second half of 2021.

Neurelis
San Diego, USA

USD 532 million

Company valuation as at 31.3.2021

High medical need for
fast-acting epilepsy medication

VALTOCO[®]
nasal spray
available on the market since 2020

CHF 53 million

Fair value as at 31.3.2021

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

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

Severe epileptic episodes demand rapid action. The seizure must be stopped immediately or the patient hospitalised quickly. Medication to treat seizures in

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

In 2019, Neurelis completed the development of a formulation for the nasal administration of diazepam (NRL-1, VALTOCO®). Various clinical studies have shown a comparably high bioavailability and a correspondingly fast onset of action. The pharmacokinetic profile was beneficial and the treatment was shown to be safe.

VALTOCO® (diazepam nasal spray) was approved by the FDA in January 2020 for acute treatment of intermittent, stereotypic episodes of frequent seizure activity outside of medical settings. It is the first and only nasal spray to obtain market approval for the emergency treatment of epileptic cluster seizures in patients aged six and over. The treatment has been given the status of an orphan drug by the FDA. The therapy is available on the US market since March 2020.

Biohaven Pharmaceuticals

New Haven, USA

USD 4336 million

Market capitalisation as at 31.3.2021

Oral therapy

for treatment of acute migraine attacks

CHF 33 million

Fair value as at 31.3.2021

Share price

NYSE



1.4.2020 to 31.3.2021

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

Half of patients have one attack per month; one in ten migraine sufferers as many as four or more attacks. Episodes occurring in adults last between 4 and 72 hours and are accompanied by pulsating and pounding headaches, which are exacerbated by physical activity. A distinction is drawn between episodic and chronic migraines. Guidelines exist on acute therapies and the prevention of migraines. Usually, when faced with a light to moderate attack, patients take analgesics such as acetylsalicylic acid (e.g. Aspirin) and non-steroidal anti-inflammatory drugs such as Ibuprofen, Naproxen or Diclofenac. People who suffer from acute migraines tend to reach for triptans, a drug class that has been around since the 1990s. However, triptans do not always have the desired treatment outcome. Added to this, they are unsuitable for some patients because they provoke adverse side effects.

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

Biohaven develops drugs for neurological disorders, including its leading drug candidate Rimegepant – a preparation available in oral (tablet) form for the acute treatment and prophylaxis of episodic migraines. Extensive phase III studies showed that Rimegepant can eliminate the pain associated with migraine attacks as well as the predominant accompanying symptoms. No adverse cardiovascular effects were observed during treatment. Rimegepant has been approved as NURTEC™ ODT (orally dissolving tablet) in the USA since February 2020 and achieved revenue of more than USD 60 million during the calendar year.

The market approval for Rimegepant for migraine prophylaxis is expected in the second quarter of 2021. Rimegepant would be the first oral CGRP receptor antagonist available for both acute and preventive treatment. Biohaven has also submitted an application for approval for both indications to the European regulatory authorities.

Turning Point Therapeutics

San Diego, USA

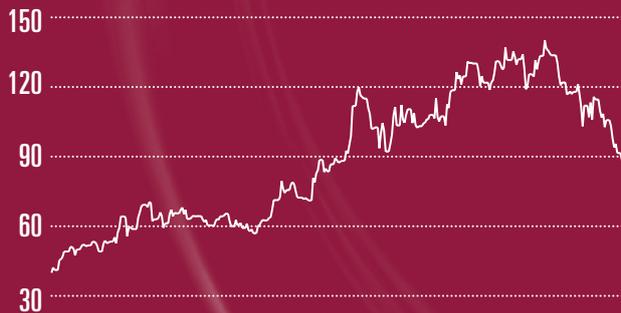
USD 4659 million

Market capitalisation as at 31.3.2021

Promising pipeline in
targeted oncology

Share price

NASDAQ



1.4.2020 to 31.3.2021

CHF 26 million

Fair value as at 31.3.2021

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

Turning Point Therapeutics maintains a pipeline of tyrosine kinases inhibitors (TKI), targeting numerous genetic drivers of cancer both in TKI-naive patients as well as TKI-pre-treated patients. Since the late 1990s, more than 30 tyrosine kinases-inhibiting medications have been approved worldwide. Molecular mutations in tyrosine kinase genes such as ROS1, NTRK or MET promote the development of various subtypes of lung cancer, among other things.

The active substances developed by Turning Point could potentially target 15 percent of all non-small-cell lung cancers (over 40000 in the USA and Europe), as well as subgroups of patients with other types of cancer, such as breast and colon cancer or melanoma. Turning Point designed its molecules in such a way that they fit perfectly and compactly into the binding pocket of the tyrosine kinases and thus – unlike other medications – can also be effective against certain resistant tumours.

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

The company's most important drug candidate Repotrectinib is being tested as part of an ongoing phase I/II trial called TRIDENT-1 to treat patients with ROS1+ advanced non-small-cell lung cancer (NSCLC) and patients with ROS1+, NTRK+ or ALK+ advanced solid tumours. The updated data for TKI-naive patients presented as part of the TRIDENT-1 trial at the end of January 2021 was promising and on this basis the company will begin approval discussions with the FDA in the near future.

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

Monte Rosa Therapeutics

Boston, USA / Basel, Switzerland

USD 405 million

Company valuation as at 31.3.2021

Treatment of severe diseases through
targeted protein degradation

CHF 18 million

Fair value as at 31.3.2021

Great interest of Big Pharma

in the potential of this new type of drugs

Proteins are involved in almost all of our body's important processes and their malfunction causes illnesses. Many cancer treatments exploit this mechanism blocking pathogenic proteins. Unfortunately, this strategy only works in around 20 percent of cases. Therefore, the targeted degradation of pathogenic proteins appears to be a promising strategy.

In the past, research has identified a molecular basis for an increasing number of diseases. As a result, specific drugs can be developed which inhibit the function of the involved target structures (usually proteins) in each case. Although this approach is often successful, it has limitations for certain diseases or target proteins. This is the case, for example, if the target protein does not have any suitable binding pocket for an inhibitory drug. A new pharmacological strategy called "targeted protein degradation" promises to overcome this problem. Monte Rosa Therapeutics, which was founded in Basel and now also operates out of Boston, focuses specifically on such new drugs, also known as "degraders".

Instead of just inhibiting a specific protein, degraders break it down completely. In doing so, they exploit a pre-existing process in each cell, which is sometimes referred to as the cellular "waste removal"

system (proteasome). The disposal of pathogenic target protein through this "waste removal" opens up a range of interesting prospects. For instance, proteins can be targeted which are not addressable by traditional drugs ("undruggable"). Moreover, a single degrader module breaks down several target proteins, which can, for example, enable lower drug doses or a longer duration of action.

Monte Rosa Therapeutics is one of the innovators in this emerging field of targeted protein degradation, and the company's initial focus is on treating cancers. In the last two years, Monte Rosa has raised over USD 200 million in capital, including funding from HBM Healthcare Investments, which has participated in the B and C financing rounds. The company, which has so far communicated very little externally, is planning to use this funding to further develop its first degrader towards clinical studies.

Apart from Monte Rosa, some of the other biotechnology companies developing degrader drugs have already floated on the stock exchange: Arvinas launched its IPO in 2018 and now has two programmes in phase II of clinical development as well as a market capitalisation of USD 3 billion. C4 Therapeutics (also a portfolio company of HBM Healthcare), Kymera and Nurix have been listed on the NASDAQ since 2020 and each have a market capitalisation of more than USD 1 billion. The big pharma companies are also showing increasing interest in this new type of drugs. Most of the ten largest pharmaceutical manufacturers have already committed to the young degrader companies, in the form of investments and/or research collaborations.

Karius

Redwood City, USA

USD **255** million

Company valuation as at 31.3.2021

Innovator in the field
of next generation sequencing

Precise diagnostics
for infectious diseases

CHF **9** million

Fair value as at 31.3.2021

The fight against infectious diseases depends on diagnostic tests, in addition to drugs and vaccines. Only precise diagnostics permit the identification of the responsible pathogen and the choice of an appropriate treatment, especially in difficult cases of infections. This task is further complicated by the immense number of different bacteria, viruses, fungi and parasites.

Since the times of Louis Pasteur and Robert Koch, bacterial cultures have played an important role in microbiological diagnostics. In the process, bacteria are identified in a sample taken from the patient and left to grow in a suitable culture medium over several days. This proven method has various limitations, however. Besides its duration, a culture only identifies living pathogens and can be distorted by antibiotics that have already been administered. Furthermore, not all bacteria and fungi grow in culture, while viruses cannot be detected at all.

For these reasons, molecular biology methods are increasingly used today in infection diagnostics, for example using the polymerase chain reaction (PCR). Most of these technologies have one thing in common, however: they can only identify pathogens

which they have been specifically developed to identify, e.g. a spectrum of a few dozen bacteria or viruses. Though this process is successful in many cases, it reaches its limits in patients who have unclear symptoms or unusual pathogens, for instance.

Karius, based in Redwood City, California, has adopted a new approach to this challenge. Using next generation sequencing (NGS), the Karius test, which is already used commercially in the USA, can identify the tiniest DNA traces of pathogens in the patient's blood. The test can already identify and quantify more than 1000 different, clinically relevant bacteria, viruses, fungi and parasites. An initial target group for Karius is the growing number of immunocompromised patients, e.g. transplant recipients or cancer patients, who are also susceptible to rare infectious pathogens which can trigger life-threatening diseases.

HBM Healthcare Investments participated in the series B financing round of Karius in early 2020. With the USD 165 million that were raised in total, Karius is now proceeding with the commercialisation of its test in the USA, continuing its further development and conducting clinical studies in order to tap into new areas of application. Furthermore, Karius is also working with pharmaceutical companies, for example, in order to support the development of new drugs to fight infectious diseases. HBM Healthcare has committed an investment of USD 15 million, of which USD 10 million have already been paid in.

Corporate Governance



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

This Corporate Governance Report contains the information, effective 31 March 2021, that is required by the "Directive on Information Relating to Corporate Governance (DCG)" issued by SIX Swiss Exchange, and the content and scope, which are required under the provisions of the "Ordinance against Excessive Compensation in Listed Companies (OAEC)" issued by the Federal Council and entered into force on 1 January 2014, and is structured in accordance with these directives.

1. Group structure and shareholders

1.1 Group structure

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

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

HBM Healthcare Investments Ltd

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

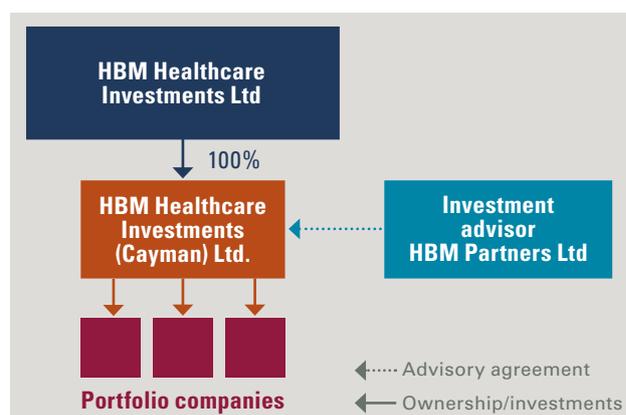
The Company's shares are listed on SIX Swiss Exchange (ISIN CH 0012627250). The market capitalisation of the Company amounted to CHF 2 314 million as at 31 March 2021.

HBM Healthcare Investments (Cayman) Ltd.

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

The share capital of HBM Healthcare Investments (Cayman) Ltd. was CHF 846 million as at 31 March 2021.

Group structure



HBM Private Equity India Ltd

The company holds a portfolio of private Indian portfolio companies. The share capital of HBM Private Equity India Ltd was USD 1000 as at 31 March 2021.

1.2 Investment advisor

The role of investment advisor to HBM Healthcare Investments (Cayman) Ltd. and its subsidiary is performed by HBM Partners Ltd, based in Zug, Switzerland (HBM Partners). As a manager of collective assets in accordance with Art. 24 para. 1 a FinIA, HBM Partners is subject to supervision by the Swiss Financial Market Supervisory Authority FINMA.

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

1.3 Significant shareholders

As at the balance sheet date, the Company had 3450 registered shareholders. Shareholders are institutional and private investors.

For details of shareholders with equity holdings of three percent or more, see note 5.3 "Significant shareholders" to the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) on page 82.

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

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

2. Capital structure

2.1 Share capital and changes to share capital

The Company's share capital of CHF 290928000 consists of 6960000 fully paid up registered shares with a par value of CHF 41.80 each. No share certificates are issued.

A review of the Company's changes in capital since 31 March 2018 is provided in the parent company's "Statement of changes in equity" on page 94.

2.2 Rights attached to shares

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

2.3 Limitations on transferability

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

3. Board of Directors

3.1 Members of the Board of Directors

As at 31 March 2021, the Board of Directors was composed of the following members:

Board of Directors	First elected
Hans Peter Hasler, Chairman	2009
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	2001
Mario G. Giuliani	2012
Dr Eduard E. Holdener	2008
Robert A. Ingram	2006
Dr Rudolf Lanz	2003
Dr Stella X. Xu	2020

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

The Board of Directors is elected by an absolute majority of the votes cast at the Shareholders' Meeting (i.e. at least half of the valid votes cast plus one vote). There are no limitations on its tenure. Further information on the members of the Board of Directors is given on pages 42 to 43.

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

3.2 Internal organisation

The Board of Directors shall consist of five or more members. The Board of Directors consists of a Chairman, Vice Chairman and members, who

shall be appointed to various committees. In the current reporting period 2020/2021 the following committees have been in place:

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

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

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

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

deliberation within the period stipulated for the vote. The resolution requires the approval by the majority of the votes of the entire respective body.

Four meetings of the Board of Directors took place during the 2020/2021 financial year. Due to COVID-19, the format of the board meetings was changed to video calls. The Company's Chief Executive Officer and Chief Financial Officer, as well as Dr Benedikt Suter, in his function as the Board's secretary, attended all Board meetings.

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

Audit Committee

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

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

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

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

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

The Audit Committee held four video calls during the 2020/2021 financial year. All of the meetings were also attended by the Company's CEO and CFO, as well as by Thomas Heimann, in his function as the Audit Committee's secretary. The members of the Audit Committee report to the full Board of Directors on the issues they have discussed. Minutes of Audit Committee meetings are sent for information to all members of the Board of Directors.

Compensation Committee

Members of the Compensation Committee were appointed by the Shareholders' Meeting in June 2020. The Compensation Committee comprises at least two members of the Board of Directors. The Shareholders' Meeting appoints the members of the Compensation Committee individually for a period of office that lasts until the close of the next ordinary Shareholders' Meeting. They may be reappointed. If there is a vacancy or vacancies on the Compensation Committee, the Board of Directors will nominate one or more of its members to serve on the Compensation Committee until the close of the next ordinary Shareholders' Meeting. The Compensation Committee constitutes itself. It appoints one of its members as its Chairman. The Board of Directors issued rules on the organisation of the Compensation Committee and how it passes its resolutions.

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

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

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

The Compensation Committee held one video call during the 2020/2021 financial year.

Nominating Committee

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

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

The Nominating Committee held four video calls during the 2020/2021 financial year.

3.3 Authorities and responsibilities of the Board of Directors and Management

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

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

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

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

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

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

3.4 Information and control instruments with regard to Management

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

- > Organisational Regulation;
- > the Investment Guidelines, see pages 47 to 49;
- > the Operations Manual, which governs the investment and disposal processes and the monitoring of portfolio companies;
- > guidelines on own-account trading for members of governing bodies and members of staff;
- > guidelines on trading in the Company's own shares for members of governing bodies and members of staff.

Guidelines on own-account trading

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

Guidelines on trading in the Company's own shares

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

Transactions with related parties

Details of transactions with related parties are given in note 9 to the Group Financial Statements IFRS on pages 87 to 88.

Information instruments

In addition to the Company's comprehensive external reporting, prior to each of its meetings, the Board of Directors receives detailed documentation from the Management about the performance of the Company and its advisory organisation. Among the issues reported upon at each meeting of the Board of Directors are financial performance, financial risk management (see note 8 on pages 83 to 87), major portfolio events, liquidity planning, new developments in the advisory organisation, and compliance with own-account and insider trading guidelines. Regular meetings are held between the Chairman of the Board and the Management.

External review mandates

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

- > review of the Corporate Governance section of the annual report;
- > review of the Compensation Report;
- > audit procedures required by law in relation to the par value repayment of 10.9.2020.

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 2021 the Management was composed of the following members:

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

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

Further information on the members of Management is given on page 44.

4.2 Advisory agreement

HBM Healthcare Investments (Cayman) Ltd. has entered into an advisory agreement with HBM Partners. Information on the core elements of the advisory agreement and on the scope of remuneration is provided in the Compensation Report (section 9) on pages 55 to 56.

5. Remuneration and share allotments

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

Details of the remuneration paid to serving members of governing bodies, as well as how this remuneration is determined, can be found in the Compensation Report (sections 3 and 4) on pages 52 to 54.

The rules governing the approval by the Shareholders' Meeting of the remuneration of the members of the Board of Directors and the Management, the additional amount as well as the principles governing the remuneration of the members of the Board of Directors and the Management can be found in Articles 24, 24a and 24b of the Articles of Association. Rules under the Articles of Association concerning loans, credits and pension benefits can be found in the Compensation Report (section 10.2) on page 57.

5.2 Disclosure of share transactions and ownership of governing bodies

HBM Healthcare publishes each purchase or sale of Company shares by members of the Board of Directors or the Management within three trading days. This information is available on the website of SIX Swiss Exchange (<https://www.ser-ag.com/en/resources/notifications-market-participants/management-transactions.html#/>).

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 97.

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 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 Shareholders' Meeting, provided they are submitted in writing to the Board of Directors before the meeting actually convenes. The 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 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 Shareholders' Meeting.

7. Change of control and defensive measures

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

8. Auditors

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

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

8.2 Audit fees

The fee paid to Ernst & Young Ltd for auditing the Company's Statutory Financial Statements and Group Financial Statements IFRS amounted to CHF 178 000 (previous year: CHF 161 000) during the reporting year. The fee for auditing the par value repayment amounted to CHF 8 000 (previous year: CHF 8 000). The fee for auditing the compliance with bond terms amounted to CHF 8 000 (previous year: CHF 8 000). Additional fees for reviewing the corporate governance disclosures in the annual report, the compensation report as well as other audit related services amounted to CHF 6 500 (previous year: CHF 6 500).

8.3 Supervision and control instruments with regard to the auditors

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

of the corporate governance section of the annual report and the Compensation Report, as well as to run the audit procedures required by law in relation to the par value repayment of 10.9.2020. In addition, the Board of Directors receives a management letter from the auditors if required, and a comprehensive report following the annual audit. These documents are discussed by the Audit Committee with the auditors. Representatives of the auditors attended three of the total of four Audit Committee meetings in the 2020/2021 financial year.

9. Information policy

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

The Company's contact address is:
HBM Healthcare Investments Ltd
Bundesplatz 1, 6300 Zug, Switzerland
Phone +41 41 710 75 77
Fax +41 41 710 75 78
info@hbmhealthcare.com
www.hbmhealthcare.com

10. Inapplicability/negative declaration

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



Hans Peter Hasler

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

Career

Swiss Federal Commercial Diploma, Marketing Certificate, Swiss School of Business Administration SIB, Zurich; CEO of Vicarius Pharma (2017 to 2020). Prior to this, international management positions at Wyeth Pharmaceuticals (1993 to 2001), Biogen Inc. (2001 to 2009), as well as Elan Corporation (2012 to 2013)

Directorships

Chairman of the Board of Directors MIAC AG since 2012 and Shield Therapeutics plc since 2018. Member of the Board of Directors Minerva Neurosciences since 2017 and Gain Therapeutics since 2021



Mario G. Giuliani

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

Career

Economist; executive positions and directorships at Giuliani SpA (1996 to 2014), Recordati SpA (2011 to 2014), Nogra Group SA (2015 to 2016), Fair-Med Healthcare AG (2013 to 2017) and Jukka LLC (2015 to 2019)

Directorships

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



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

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

Career

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

Directorships

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



Dr med. Eduard E. Holdener

Member of the Board of Directors since 2008, Swiss national

Career

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

Directorships

Member of the Board of Directors of BioVersys AG since 2020



Robert A. Ingram

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

Career

BSc in business administration; since 2007 General Partner at Hatteras Venture Partners. Chief Executive Officer and Chairman of Glaxo Wellcome and Vice Chairman Pharmaceuticals at GlaxoSmithKline (1990 to 2010)

Directorships

Chairman of the Board of Directors BioCryst Pharmaceuticals Inc. since 2015 and Black Diamond Therapeutics Inc. since 2020



Dr Rudolf Lanz

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

Career

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

Directorships

Chairman of the Board of Directors Dr. Rudolf Lanz AG since 2009; Member of the Board of Directors MIAC AG since 2015; Chairman of the Board of Directors Pferdeklinik Interlakes AG since 2020



Dr Stella X. Xu

Member of the Board of Directors since 2020, US national

Career

Ph.D. in Immunology from Northwestern University, and B.S. in Biophysics from Peking University. Since 2017 managing director of Quan Capital Management. Previously at Roche (2002 to 2017) and McKinsey & Company (1998 to 2002)

Directorships

Member of the Board of Centrexion Therapeutics since 2017, NextCure since 2018, Tempest Therapeutics since 2018, Zidan Medical since 2018, Walking Fish Therapeutics since 2019 and Design Therapeutics since 2020



Dr Andreas Wicki

Chief Executive Officer since 2001,
Swiss national

Career

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

Directorships

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



Erwin Troxler

Chief Financial Officer since 2011,
Swiss national

Career

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

Directorships

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

To the Board of Directors of

HBM Healthcare Investments Ltd, Zug

Zurich, 6 May 2021

Review Report for the Corporate Governance disclosures

In accordance with your instructions, we have reviewed the Corporate Governance disclosures of HBM Healthcare Investments Ltd according to the Directive Corporate Governance (DCG) issued by the SIX Swiss Exchange (pages 33 to 44) for the year ended 31 March 2021.

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

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

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

Ernst & Young Ltd

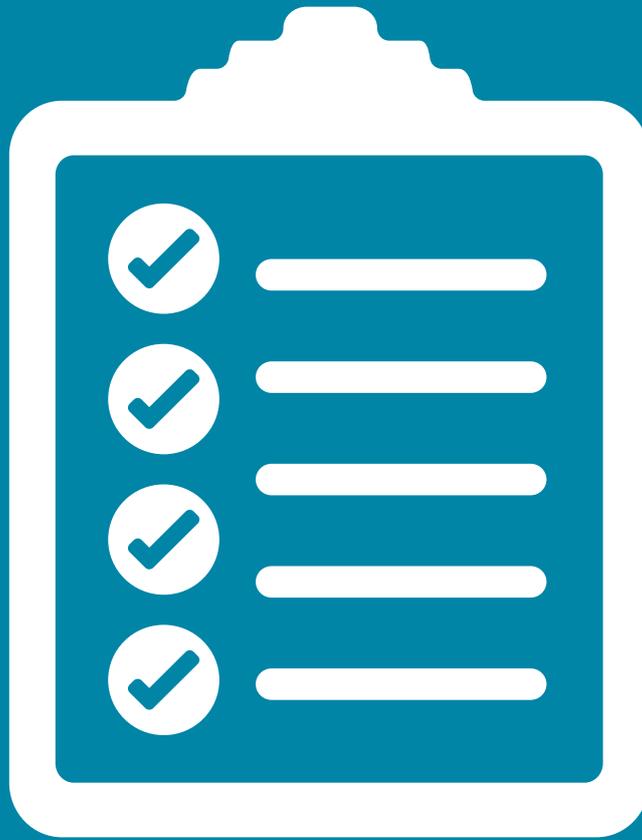


Jürg Zürcher
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

Investment Guidelines



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

1. Investment objective

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

2. Investment strategy

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

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

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

Geographical focus

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

Availability of funds

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

Debt financing

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

Hedging

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

Investment instruments

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

3. Investment categories

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

Private companies

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

Public companies

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

Financial instruments (not related to hedging)

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

4. Investment decisions

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

5. Application of and changes to the Investment Guidelines

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

Compensation Report



This Compensation Report for the 2020/2021 financial year sets out the compensation system for, and the compensation paid to, the members of the Board of Directors and the Management of HBM Healthcare Investments Ltd (HBM Healthcare or the Company). The content and scope of the disclosures comply with the regulations set out in the "Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO)", which was passed by the Federal Council and entered into force on 1 January 2014, and the SIX Swiss Exchange Directive on Corporate Governance (DCG).

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

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

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

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

As is common for investment companies, in accordance with Art. 6 para. 2 ERCO and Art. 21 of the Company's Articles of Association, the Board of Directors has transferred asset management to a specialist service provider, HBM Partners Ltd, Zug (Investment Advisor), under the terms of an advisory agreement. As a rule, investment decisions are made by the Board of Directors of HBM Healthcare's subsidiary. The Board of Directors of HBM Healthcare remains responsible for monitoring the Investment Advisor, taking key investment policy decisions and for other inalienable tasks. The Investment Advisor manages various collective investment funds which focus on the healthcare sector. As a manager of collective assets in accordance with Art. 24. para. 1 a FinIA, the Investment Advisor is subject to supervision by the Swiss Financial Market Supervisory Authority FINMA. For details of the advisory agreement, please refer to section 9 of this Compensation Report.

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

2. Responsibility and authority with regard to compensation

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

the full Board of Directors determines the following:

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

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

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

3. Compensation to members of the Board of Directors

3.1 Basis and elements

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

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

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

- > Fixed fee for committee membership (cash payment);
- > Variable compensation depending on value growth achieved (equity and cash payment);
- > Legally required social security contributions (employer's contribution).

The Board of Directors set the fixed element of its members' compensation as follows for the 2020/2021 reporting year:

Fixed compensation to Board of Directors (in CHF)	2020/2021	2019/2020
Chairman of the Board of Directors	94 000	94 000
Vice Chairman of the Board of Directors	43 000	43 000
Member of the Board of Directors	28 000	28 000
Board meeting fee, per meeting ¹⁾		
– Chairman	4 000	4 000
– Members	3 000	3 000
Member of the Audit Committee	30 000	30 000
Member of the Compensation Committee	10 000	10 000
Member of the Nominating Committee	0	0

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

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

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

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

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

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

During the 2020/2021 reporting period, the seven members of the Board of Directors together

received compensation totalling CHF 8 898 000 (previous year: CHF 2 054 950). Of this figure, CHF 445 000 (previous year: CHF 405 000) was paid out in the form of fixed directors' fees and board meeting fees for service on the Board of Directors and on the Board Committees.

The variable compensation paid in accordance with the increase in value achieved came to CHF 8 154 300 (previous year: CHF 1 575 600). Legally required social security contributions (employer's contribution) totalled CHF 298 700 (previous year: CHF 74 350). By resolution dated 4 November 2019, the members of the Board of Directors undertook to draw at least 50 percent of their variable compensation for the 2019/2020 and following financial years in form of company shares.

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

Compensation to Board of Directors 2020/2021 financial year (in CHF)	Committee ¹⁾			Fixed fee	Meeting fee	Committee fee	Variable compensation ²⁾	Social security contributions & duties ³⁾	Total
	AC	CC	NC						
Hans Peter Hasler, Chairman				94 000	16 000	0	1 288 200	0	1 398 200
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			43 000	12 000	30 000	1 288 200	105 648	1 478 848
Mario G. Giuliani, Member		x		28 000	12 000	10 000	1 288 200	101 254	1 439 454
Dr Eduard E. Holdener, Member				28 000	12 000	0	1 288 200	91 798	1 419 998
Robert A. Ingram, Member		x	x	28 000	12 000	10 000	1 288 200	0	1 338 200
Dr Rudolf Lanz, Member	x		x	28 000	12 000	30 000	1 288 200	0	1 358 200
Dr Stella X. Xu, Mitglied				28 000	12 000	0	425 100	0	465 100
Total Board of Directors				277 000	88 000	80 000	8 154 300	298 700	8 898 000

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

2) The entitlement to the variable compensation of newly elected members of the Board of Directors is in the first year 0.33 percent of the amount of the performance fee owed by HBM Healthcare to the Investment Advisor.

3) Of the legally required social security contributions (employer's contribution), CHF 21 737 was paid on fixed compensation and CHF 276 963 on variable compensation.

Compensation to Board of Directors 2019/2020 financial year (in CHF)	Committee ¹⁾			Fixed fee	Meeting fee	Committee fee	Variable compensation	Social security contributions & duties ²⁾	Total
	AC	CC	NC						
Hans Peter Hasler, Chairman				94 000	16 000	0	262 600	0	372 600
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	x			43 000	12 000	30 000	262 600	30 758	378 358
Mario G. Giuliani, Member		x		28 000	12 000	10 000	262 600	23 943	336 543
Dr Eduard E. Holdener, Member				28 000	12 000	0	262 600	19 649	322 249
Robert A. Ingram, Member		x	x	28 000	12 000	10 000	262 600	0	312 600
Dr Rudolf Lanz, Member	x		x	28 000	12 000	30 000	262 600	0	332 600
Total Board of Directors				249 000	76 000	80 000	1 575 600	74 350	2 054 950

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

2) Of the legally required social security contributions (employer's contribution), CHF 18 876 was paid on fixed compensation and CHF 55 474 on variable compensation.

4. Compensation to members of Management

4.1 Basis and elements

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

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

- > Fixed salary (cash payment);
- > Legally required social security contributions (employer's contribution).

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

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

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

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

During the 2020/2021 reporting period, the two members of Management together received compensation totalling CHF 319 614 (previous year: CHF 319 259). Of this figure, CHF 296 000 (previous year: CHF 296 000) was paid out in the form of fixed salaries. Legally required social security contributions (employer's contribution) totalled CHF 23 614 (previous year: CHF 23 259).

The members of Management received the following compensation:

Compensation to Management 2020/2021 financial year (in CHF)	Working hours	Fixed salary	Social security contributions	Total
Dr Andreas Wicki, CEO	40%	176 000	13 973	189 973
Erwin Troxler, CFO	40%	120 000	9 641	129 641
Total Management		296 000	23 614	319 614

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

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

As at 31 March 2021, there were no loans or credits outstanding which HBM Healthcare had granted to current or former members of the Board of Directors or Management, or parties related to them (previous year: none).

6. Compensation to related parties on non-market terms

During the 2020/2021 reporting year, the Company did not pay any compensation to related parties which did not conform to normal market terms (previous year: none).

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

No payments were made to former members of the Board of Directors or Management during the 2020/2021 reporting year (previous year: none).

8. Contractual conditions upon leaving HBM Healthcare

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

9. Advisory agreements

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

guidelines defined by HBM Healthcare. The advisory agreement runs at least until 30 June 2022, and is automatically extended by twelve months in each case if it is not terminated by notice. Any notice of termination must be served at least twelve months before the end of the contract term.

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

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

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

The management fee paid to the Investment Advisor for the 2020/2021 financial year came to CHF 26.3 million (previous year: CHF 20.5 million).

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

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

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

For the 2020/2021 financial year, the net asset value per share before provision for the performance fee, i.e. the relevant figure for the calculation of the performance fee, stood at CHF 327.77, and thus above the high water mark of CHF 204.33. Once the variable compensation to the Board of Directors is deducted, a performance fee of CHF 120.7 million is due to the Investment Advisor. At the beginning of the 2021/2022 financial year, the high water mark for all outstanding shares thus increases to CHF 327.77 (adjusted for any future dividend payments or capital repayments made to shareholders).

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

10. Rules under the Articles of Association

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

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

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

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

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

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

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

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

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

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

To the General Meeting of

HBM Healthcare Investments Ltd, Zug

Zurich, 6 May 2021

Report of the statutory auditor on the compensation report

We have audited the compensation report of HBM Healthcare Investments Ltd for the year ended 31 March 2021. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables of section 3.2 and 4.2 as well as sections 5 to 8 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended 31 March 2021 of HBM Healthcare Investments Ltd complies with Swiss law and articles 14 - 16 of the Ordinance.

Ernst & Young Ltd



Jürg Zürcher
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

Financial Report



Balance sheet (CHF 000)	Notes	31.3.2021	31.3.2020
Assets			
Current assets			
Cash and cash equivalents		6 033	6 096
Receivables		17	27
Total current assets		6 050	6 123
Non-current assets			
Investment in subsidiary	(3)	2 255 830	1 546 050
Total non-current assets		2 255 830	1 546 050
Total assets		2 261 880	1 552 173
Liabilities			
Current liabilities			
Liability from performance fee	(3.4)	8 154	1 576
Financial liabilities	(4)	49 967	0
Other liabilities		2 471	2 248
Total current liabilities		60 592	3 824
Non-current liabilities			
Financial liabilities	(4)	49 803	99 565
Total non-current liabilities		49 803	99 565
Shareholders' equity			
Share capital	(5.1)	290 928	344 520
Treasury shares	(5.2)	-402	-402
Capital reserve	(5.1)	142 137	142 115
Retained earnings		1 718 822	962 551
Total shareholders' equity		2 151 485	1 448 784
Total liabilities and shareholders' equity		2 261 880	1 552 173
Number of outstanding shares (in 000)		6 957	6 957
Net asset value (NAV) per share (CHF)		309.25	208.25

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

	Notes	2020/2021	2019/2020
Dividend income from investment in subsidiary	(3)	59 000	60 000
Net change in value of investment in subsidiary	(3)	709 780	128 623
Result from investment activities		768 780	188 623
Personnel expenses	(6)	-9 295	-2 568
Other operating expenses		-742	-923
Result before interest and taxes		758 743	185 132
Financial expenses		-2 472	-2 435
Financial income		0	1
Income taxes		0	0
Net result for the year		756 271	182 698
Comprehensive result		756 271	182 698
Number of outstanding shares, time-weighted (in 000)		6 957	6 957
Basic earnings per share (CHF)		108.71	26.26

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

Statement of cash flows for the financial year ended 31 March (CHF 000)	2020/2021	2019/2020
Expenses paid (personnel and other operating expenses)	-3 226	-4 158
Net cash flow from operating activities	-3 226	-4 158
Dividend payment from subsidiary received	59 000	60 000
Net cash flow from investing activities	59 000	60 000
Interest paid	-2 267	-2 272
Par value repayment	-53 570	-52 178
Net cash flow from financing activities	-55 837	-54 450
Currency translation differences	0	1
Net change in cash and cash equivalents	-63	1 393
Cash and cash equivalents at beginning of period	6 096	4 703
Cash and cash equivalents at end of period	6 033	6 096

Statement of changes in equity (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
Balance as at 31 March 2019	396 720	-402	142 093	779 853	1 318 264
Comprehensive result				182 698	182 698
Par value repayment (12.9.2019)	-52 200		22		-52 178
Balance as at 31 March 2020	344 520	-402	142 115	962 551	1 448 784
Comprehensive result				756 271	756 271
Par value repayment (10.9.2020)	-53 592		22		-53 570
Balance as at 31 March 2021	290 928	-402	142 137	1 718 822	2 151 485

General Statements

1. Information about the Company and its business

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

2. Accounting policies

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

2.1 Basis of preparation – Group Financial Statements

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

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

2.2 Changes in accounting policies

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

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

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

IFRS 3 "Definition of a Business" (1 January 2020)

The amendments to IFRS 3 "Business Combinations" relate to the definition of a business. The adjustments are intended to assist an entity in determining whether it has acquired a business or a group of assets.

IAS 1 and 8 "Definition of Material" (1 January 2020)

A company must assess whether the information is material in the context of the financial statements either in isolation or in combination with other information.

IFRS 9, IAS 39, IFRS 7 "Changes from the IBOR reform (Interbank Offered Rate)" (1 January 2020)

The IBOR reform has resulted in amendments to the standards on financial instruments. The first phase of these adjustments addresses financial reporting issues in the period before an existing interest rate benchmark is replaced by an alternative interest rate.

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

2.2.2 New standards and interpretations which have not yet been applied

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

- > IFRS 9, IAS 39, IFRS 7 (1 January 2021) – IBOR Reform Phase 2
- > IAS 1 (1 January 2022) – Classification of liabilities as current or non-current
- > IFRS 3 (1 January 2022) – Reference to the Conceptual Framework
- > IAS 16 (1 January 2022) – Property, Plant and Equipment – Proceeds before Intended Use
- > IAS 37 (1 January 2022) – Onerous Contracts – Cost of Fulfilling a Contract

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

2.3 Significant accounting judgements, estimates and assumptions

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

This affects mainly investments in private companies and funds. The fair value of investments that are not traded in an active market are determined by using appropriate methods in accordance with the valua-

tion policies (note 2.7.2. "Investments"). The use of valuation techniques requires estimates made by the Management. Changes in assumptions could affect the disclosed fair value of these investments (note 8.6 "Valuation risks and fair values").

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

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

As it provides investment management services to the parent company, the wholly-owned HBM Healthcare Investments (Cayman) Ltd. subsidiary also qualifies as an investment entity under IFRS 10, despite the absence of some of the typical characteristics of an investment entity (such as more than one investor, and investors that are not related parties of the entity). It still fulfils the general definition laid down in the IFRS 10 standard, and must therefore be classified as such. As a result, the Subsidiary will not be consolidated, instead the investment will be carried at fair value through profit and loss.

2.5 Foreign currencies

The functional currency for the Company is the Swiss franc (CHF). Transactions in foreign currencies are booked at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted into Swiss francs at the exchange rates prevailing on the balance sheet date. The resulting foreign currency gains or losses are booked to the statement of comprehensive income.

The Company does not hold any non-monetary assets acquired through transactions in a foreign currency (note 2.7).

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

Exchange rates (CHF)	31.3.2021	31.3.2020
CAD	0.7512	0.6835
CNY	0.1440	0.1357
DKK	0.1488	0.1420
EUR	1.1068	1.0602
GBP	1.3006	1.1937
HKD	0.1214	0.1240
INR	0.0129	0.0127
SEK	0.1081	0.0970
USD	0.9436	0.9611

2.6 Cash and cash equivalents

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

2.7 Investment in Subsidiary

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

2.7.1 Recognition of additions and disposals

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

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

2.7.2 Investments

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

The fair value of investments in **private companies** is determined using the "International Private Equity and Venture Capital Valuation Guidelines (IPEV)". For this purpose, the acquisition cost in the investment currency is used as the best approximation of the fair value of the private company in question, except where

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

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

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

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

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

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

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

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

2.7.3 Financial instruments

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

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

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

2.7.4 Other financial assets

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

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

2.8 Financial liabilities

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

2.9 Provisions

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

2.10 Treasury shares

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

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

2.11 Net asset value and earnings per share

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

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

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

2.12 Segment reporting

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

Notes to the Balance Sheet and Statement of Income

3. Investment in Subsidiary

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

Development fair value investment (CHF 000)	2020/2021	2019/2020
Fair value at the beginning of financial year	1 546 050	1 417 427
Increase in value, gross	768 780	188 623
Dividend payment to parent company	-59 000	-60 000
Fair value at the end of financial year	2 255 830	1 546 050

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

Composition net assets (CHF 000)	Notes	31.3.2021	31.3.2020
Cash and cash equivalents		423 135	218 104
Receivables		161	181
Investments	(3.1)		
Private companies		446 199	550 403
Funds		216 601	155 992
Public companies		1 404 158	629 889
Shares of parent company		2 278	18 689
Financial instruments	(3.2)	0	4 799
Other financial assets	(3.3)	38 279	10 694
Total assets		2 530 811	1 588 751
Financial instruments	(3.2)	-128 888	0
Liability from performance fee	(3.4)	-120 664	-24 686
Provision for deferred tax on capital gain and other taxes	(3.5)	-24 725	-17 169
Other current liabilities		-704	-846
Total net assets at fair value		2 255 830	1 546 050

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

Change in net assets at fair value (CHF 000)	Notes	2020/2021	2019/2020
Net result on investments	(3.1)	986 925	201 115
Change in provision for deferred tax on capital gain and other taxes	(3.5)	-7 556	-17 169
Dividend income		374	4 080
Net result from financial instruments	(3.2)	-67 672	55 632
Net result from other financial assets		-767	-11 120
Net result from shares of parent company		5 825	2 518
Result from investing activities		917 129	235 056
Management fee	(3.4)	-26 326	-20 545
Performance fee	(3.4)	-120 664	-24 686
Personnel and other operating expenses		-1 355	-1 244
Financial result		-4	42
Increase in value, gross		768 780	188 623
Dividend payment to parent company		-59 000	-60 000
Net change in value of investment		709 780	128 623

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

3.1 Investments

The investments held by the Subsidiary comprised the following and they performed as follows:

Development of investments (CHF 000)	Private companies	Funds	Public companies	Total investments
Fair value as at 31 March 2020	550 403	155 992	629 889	1 336 284
Reclassification owing to IPO (ALX Oncology)	-4 805		4 805	0
Reclassification owing to IPO (iTeos Therapeutics)	-8 558		8 558	0
Reclassification owing to IPO (Cathay Biotech)	-216 189		216 189	0
Reclassification owing to IPO (Harmony Biosciences)	-62 618		62 618	0
Reclassification owing to IPO (Everest Medicines)	-2 883		2 883	0
Reclassification owing to IPO (Galecto Therapeutics)	-7 502		7 502	0
Fair value as at 31 March 2020 (after reclassification)	247 848	155 992	932 444	1 336 284
Purchases	195 076	21 783	512 848	729 707
Sales	-103 327	-9 977	-872 654	-985 958
Realised gains	61 269	905	441 671	503 845
Realised losses	-195	-2 698	-49 975	-52 868
Changes in unrealised gains/losses	45 528	50 596	439 824	535 948
Net result on investments	106 602	48 803	831 520	986 925
Fair value as at 31 March 2021	446 199	216 601	1 404 158	2 066 958

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

Details on investments can be found on pages 72 to 75.

Net result on investments comprised the following:

Net result on investments (CHF 000)	Private companies	Funds	Public companies	Total
Gains	122 248	52 619	895 794	1 070 661
Losses	-15 646	-3 816	-64 274	-83 736
Total 2020/2021 financial year	106 602	48 803	831 520	986 925

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

The net gains on investments of CHF 986.9 million (previous year: CHF 201.1 million) includes net currency losses of CHF 12.7 million (previous year: net currency losses of CHF 61.7 million).

Private companies	Domicile	Investment currency	Amount	Changes in	Amount	Fair value	Ownership	Fair value	Fair value
			disbursed 31.3.2020	reporting period	disbursed 31.3.2021	31.3.2021	31.3.2021	31.3.2021	31.3.2020
		IC	IC million	IC million	IC million	IC million	%	CHF 000	CHF 000
Swixx BioPharma	CH	EUR	25.0	-0.2	24.8	52.9	28.8	58 541	42 408
Neurelis	US	USD	18.8	5.6	24.4	56.2	10.6	53 055	37 198
1mg	IN	INR	872.8	380.2	1 253.0	2 169.6	10.6	28 002	16 793
Ambrx	US	USD	0.0	20.0	20.0	20.0	4.7	18 872	0
Fangzhou (Jianke)	CN	USD	14.9	5.0	19.9	19.7	6.0	18 619	14 296
Monte Rosa Therapeutics	CH	USD	0.0	14.0	14.0	18.8	4.6	17 757	0
Nuance Pharma	CN	USD	4.0	10.0	14.0	18.7	3.9	17 619	3 570
SAI Life Sciences	IN	INR	449.0		449.0	1 343.9	5.7	17 346	17 079
FarmaLatam	PA	USD	11.4	3.4	14.8	17.7	51.1	16 703	10 930
Adrenomed	DE	EUR	6.1	4.6	10.7	14.8	10.5	16 414	6 452
Valo Health	US	USD	0.0	15.0	15.0	15.0	1.3	14 154	0
Sphingotec	DE	EUR	9.0	1.5	10.5	10.5	14.2	11 621	9 541
Alydia Health ¹⁾	US	USD	0.0	3.0	3.0	11.2	7.3	10 534	0
Genalyte (BaseHealth)	US	USD	2.5	5.0	7.5	10.2	3.4	9 642	2 403
River Renal	US	USD	0.0	10.0	10.0	10.0	12.5	9 436	0
Karius	US	USD	5.0	5.0	10.0	10.0	3.9	9 436	4 805
IO Biotech	DK	EUR	0.0	8.0	8.0	8.0	6.2	8 854	0
Shape Memory Medical	US	USD	6.0	2.8	8.8	8.8	16.8	8 304	5 767
BioShin	CN	USD	0.0	8.0	8.0	8.0	4.1	7 549	0
Polyneuron Pharmaceuticals	CH	CHF	0.0	9.9	9.9	7.4	16.1	7 445	0
Valcare	IL	USD	4.3	0.8	5.1	7.9	7.7	7 429	6 819
Visen Pharmaceuticals	CN	USD	0.0	7.5	7.5	7.5	0.6	7 077	0
Neuron23	US	USD	0.0	7.0	7.0	7.0	2.7	6 605	0
Arrakis Therapeutics	US	USD	7.0		7.0	7.0	4.6	6 605	6 728
eGenesis Bio	US	USD	0.0	7.0	7.0	7.0	2.0	6 605	0
Mineralys Therapeutics	US	USD	0.0	6.7	6.7	6.7	10.7	6 291	0
Pyxis Oncology	US	USD	0.0	6.0	6.0	6.0	2.2	5 662	0
Cure Everlife Holdings	MU	USD	3.0	2.6	5.6	5.4	14.3	5 099	2 606
Werewolf Therapeutics	US	USD	0.0	5.0	5.0	5.0	2.8	4 718	0
Cardialen	US	USD	5.0		5.0	5.0	17.8	4 718	4 805
NiKang Therapeutics	CN	USD	0.0	5.0	5.0	5.0	4.7	4 718	0
Dren Bio	US	USD	0.0	3.7	3.7	3.7	5.7	3 515	0
Fore Biotherapeutics (NovellusDx)	IL	USD	0.0	3.3	3.3	3.3	9.2	3 088	0
Vascular Dynamics	US	USD	12.5		12.5	3.1	13.1	2 946	3 001
MicroOptx	US	USD	3.0		3.0	3.0	8.3	2 831	2 883
ConnectRN	US	USD	5.9		5.9	2.4	23.3	2 279	2 322
FogPharma	US	USD	0.0	1.4	1.4	1.4	0.7	1 323	0
Vitaeris ²⁾	CA	USD	3.0	-3.0	0.0	0.0	0.0	0	3 844
Corvidia Therapeutics ²⁾	US	USD	4.8	-4.8	0.0	0.0	0.0	0	4 640
Shriji Polymers ²⁾	IN	INR	201.0	-201.0	0.0	0.0	0.0	0	4 598
Forbius (Formation Biologics) ²⁾	CA	CAD	11.5	-11.5	0.0	0.0	0.0	0	7 826
Westmed Holding ²⁾	US	USD	7.0	-7.0	0.0	0.0	0.0	0	11 950
Complexa ³⁾	US	USD	5.0		5.0	0.0	5.3	0	4 806
Others								4 787	9 778
Total private companies								446 199	247 848

1) The company was acquired during the reporting period. The transaction will be completed after the end of the reporting period.

2) The investments were sold during the reporting period.

3) The investment was value-adjusted during the reporting period.

Funds	Investment	Total	Payments	Repayments	Cumulative	Cumulative	Fair value	Fair value	Fair value
	currency	commit-	in reporting	in reporting	payments	repayments	31.3.2021	31.3.2021	31.3.2020
	IC	ment	period	period	31.3.2021	31.3.2021	31.3.2021	31.3.2021	31.3.2020
	IC	IC million	IC million	IC million	IC million	IC million	IC million	CHF 000	CHF 000
HBM Genomics	USD	22.4	4.7		22.4	0.0	48.9	46 168	18 622
6 Dimensions Capital	USD	25.0	2.4	1.7	23.8	3.0	46.3	43 713	23 744
WuXi Healthcare Ventures II	USD	20.0	1.2	0.7	19.2	2.0	36.1	34 092	33 033
MedFocus Fund II	USD	26.0			26.0	25.0	24.2	22 829	21 934
HBM BioCapital II ¹⁾	EUR	42.0	2.4	3.4	45.0	13.2	19.3	21 417	19 032
C-Bridge Healthcare Fund IV	USD	10.0	3.4		7.2	0.2	9.8	9 274	3 426
Galen Partners V	USD	10.0			10.4	8.8	7.7	7 291	5 937
Hatteras Venture Partners III	USD	10.0	0.2		10.2	2.0	6.3	5 986	6 201
Tata Capital HBM Fund I	USD	10.0	0.2	2.1	9.8	6.9	5.9	5 534	8 936
BioMedInvest II	CHF	10.0		0.4	10.0	3.4	4.8	4 840	6 020
LYZZ Capital Fund II	USD	15.0	3.5		4.6	0.0	4.7	4 411	980
BioVeda China IV	USD	5.0	1.6	0.2	4.0	0.5	3.5	3 316	1 819
BioMedInvest I	CHF	26.0		0.7	26.0	27.1	2.2	2 184	3 354
Tata Capital Healthcare Fund II	USD	20.0	2.3		3.1	0.0	2.3	2 150	583
C-Bridge Healthcare Fund V	USD	15.0	1.4		1.4	0.0	1.4	1 333	0
Nordic Biotech	DKK	31.0			31.0	221.7	8.3	1 241	1 037
120 Capital	USD	25.0			0.0	0.0	0.0	0	0
Others								822	1 334
Total funds								216 601	155 992

1) The fair value of EUR 19.3 million takes into account the fund's cumulative management fees of EUR 6.0 million. This amount has

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

Public companies	Investment	Balance	Changes in	Balance	Share price	Ownership	Fair value	Fair value
	currency	31.3.2020	reporting	31.3.2021	31.3.2021	31.3.2021	31.3.2021	31.3.2020
	IC	Number of shares	Number of shares	Number of shares	IC	%	CHF 000	CHF 000
Companies originating from private companies portfolio								
Cathay Biotech ¹⁾²⁾	CNY	29 610 798	0	29 610 798	68.56	7.1	292 323	216 189
Harmony Biosciences ¹⁾³⁾	USD	4 478 566	163 213	4 641 779	33.04	8.2	144 715	62 618
BioAtla ¹⁾	USD	0	1 715 869	1 715 869	50.84	5.3	82 315	0
ALX Oncology ¹⁾	USD	526 475	411 523	937 998	73.74	2.3	65 267	4 805
Y-mAbs Therapeutics	USD	2 915 803	-943 052	1 972 751	30.24	4.5	56 291	73 142
Instil Bio ¹⁾	USD	0	2 192 908	2 192 908	25.08	1.7	51 896	0
SpringWorks Therapeutics	USD	1 327 928	-701 885	626 043	73.57	1.3	43 460	34 459
Pacira BioSciences	USD	950 262	-498 938	451 324	70.09	1.0	29 849	30 623
Longboard Pharmaceuticals ¹⁾	USD	0	1 880 000	1 880 000	16.38	11.1	29 058	0
iTeos Therapeutics ¹⁾	USD	1 009 393	-129 695	879 698	34.18	2.5	28 372	8 558
Arcutis	USD	1 294 160	-353 736	940 424	28.93	1.9	25 672	37 066
Turning Point Therapeutics	USD	308 500	-22 836	285 664	94.59	0.6	25 497	13 242
Connect Biopharma ¹⁾	USD	0	1 212 302	1 212 302	18.50	2.1	21 163	0
C4 Therapeutics ¹⁾	USD	0	451 713	451 713	36.99	1.1	15 766	0
Seer ¹⁾	USD	0	327 678	327 678	50.02	0.6	15 466	0
Everest Medicines ¹⁾	HKD	277 778	833 333	1 111 111	73.55	0.4	9 919	2 883
Galecto ¹⁾	USD	779 354	472 603	1 251 957	6.08	5.0	7 177	7 502
Total companies originating from private companies portfolio							944 206	491 087
Various companies								
Biohaven Pharmaceuticals	USD	627 628	-120 105	507 523	68.35	0.8	32 733	20 527
Zymeworks	USD	400 000	564 535	964 535	31.58	2.1	28 742	13 636
Zogenix	USD	956 857	385 000	1 341 857	19.52	2.4	24 716	22 743
Argenx (ADR)	USD	150 000	-60 000	90 000	275.39	0.2	23 387	18 991
Argenx	EUR	150 000	-60 000	90 000	234.40	0.2	23 350	19 560
BioInvent	SEK	0	3 630 840	3 630 840	47.20	6.2	18 523	0
Laurus Labs	INR	606 646	3 062 387	3 669 033	362.00	0.7	17 142	2 504
Beigene	HKD	700 000	0	700 000	201.09	0.1	17 095	6 627
Essa Pharma	USD	0	609 781	609 781	29.05	1.6	16 715	0
ChemoCentryx	USD	345 144	-38 619	306 525	51.24	0.4	14 821	13 328
Xenon Pharmaceuticals	USD	849 289	0	849 289	17.90	2.1	14 345	9 256
Esperion Therapeutics	USD	400 000	134 014	534 014	28.05	1.9	14 134	12 121
Dicerna Pharmaceuticals	USD	0	522 200	522 200	25.57	0.7	12 600	0
Nicox	EUR	2 383 808	235 294	2 619 102	4.26	7.1	12 349	8 997
Index Pharmaceuticals	SEK	0	52 916 667	52 916 667	1.71	9.9	9 769	0

Continued on page 75

1) These companies went public on SSE Star Market or US NASDAQ respectively during the reporting period. The investments were listed under private companies in previous reports.

2) The tax on capital gain and other taxes which may be owed in China upon the sale of the investment are accrued separately (note 3.5). The shares are subject to a holding period until August

2023 and the disclosed fair value of the investment includes a lock-up discount. The share price of CNY 79.95 as at 31.3.2021 was adjusted by a discount of 14.25% to CNY 68.56.

3) The number of shares of the investment in the previously privately owned company was corrected after the IPO due to an adjustment in the conversion factor at the end of August 2020.

Public companies	Invest- ment currency	Balance 31.3.2020	Changes in reporting period	Balance 31.3.2021	Share price 31.3.2021	Ownership 31.3.2021	Fair value 31.3.2021	Fair value 31.3.2020
	IC	Number of shares	Number of shares	Number of shares	IC	%	CHF 000	CHF 000
Various companies								
Solara Active	INR	611 806	– 125 029	486 777	1 393.15	1.4	8 753	3 456
Vicore Pharma	SEK	2 419 438	430 562	2 850 000	26.50	4.0	8 163	2 465
Rocket Pharmaceuticals	USD	784 438	– 606 977	177 461	44.37	0.3	7 430	10 517
Achilles Therapeutics	USD	0	450 000	450 000	16.55	1.1	7 027	0
Jubilant Pharmova	INR	1 002 263	– 207 100	795 163	681.10	0.5	6 990	3 174
Trillium Therapeutics	USD	1 000 000	– 312 631	687 369	10.74	0.7	6 966	3 883
Harbour BioMed	HKD	0	6 262 000	6 262 000	8.92	0.8	6 780	0
Collectis (ADR)	USD	300 000	50 000	350 000	20.21	0.8	6 675	2 653
Chinook Therapeutics	USD	0	448 111	448 111	15.54	1.1	6 571	0
Hansa Biopharma	SEK	300 000	95 064	395 064	151.90	0.9	6 486	2 268
Guangzhou Baiyunshan Pharmaceutical	HKD	1 349 000	1 260 000	2 609 000	18.86	0.2	5 972	3 496
Constellation Pharmaceutical	USD	0	267 917	267 917	23.39	0.6	5 913	0
Celldex Therapeutics	USD	0	278 374	278 374	20.60	0.7	5 411	0
Kura Oncology	USD	0	201 373	201 373	28.27	0.3	5 372	0
Applied Therapeutics	USD	0	300 000	300 000	18.76	1.2	5 309	0
Omeros	USD	0	308 448	308 448	17.80	0.5	5 181	0
Sesen Bio	USD	2 065 367	0	2 065 367	2.60	1.2	5 067	1 113
Intercept Pharmaceuticals	USD	142 396	89 133	231 529	23.08	0.7	5 042	8 617
SSY Group	HKD	3 180 000	5 958 000	9 138 000	4.53	0.3	5 024	2 389
Others							59 399	249 036
Total various companies							459 952	441 357
Total public companies							1 404 158	932 444
Total investments							2 066 958	1 336 284

The following tables show the gains and losses (realised and unrealised) on single investments for the 2020/2021 and 2019/2020 financial years. Investments are listed individually only if the change in value in terms of the investment currency results

Gains on investments		2020/2021	
(realised and unrealised per company) ¹⁾			
	IC	IC million	CHF 000
Private companies			
Corvidia Therapeutics	USD	24.3	22 168
Forbius (Formation Biologics)	CAD	31.5	21 670
Swixx BioPharma	EUR	13.1	16 280
Neurelis	USD	12.0	10 750
Others			51 380
Total private companies			122 248
Funds			
HBM Genomics	USD	24.9	23 154
6 Dimensions Capital	USD	21.0	19 396
Others			10 069
Total funds			52 619
Public companies			
Positions originating from private companies portfolio			
BioAtla	USD	101.4	94 498
Harmony Biosciences	USD	84.3	78 555
Cathay Biotech ²⁾	CNY	437.0	76 135
SpringWorks Therapeutics	USD	54.6	48 801
ALX Oncology	USD	51.3	48 753
Instil Bio	USD	37.6	36 015
Pacira BioSciences	USD	32.9	29 778
iTeos Therapeutics	USD	30.1	27 966
Y-mAbs Therapeutics	USD	25.8	22 863
Viola Bio	USD	26.3	21 667
Turning Point Therapeutics	USD	19.6	17 692
C4 Therapeutics	USD	15.1	13 995
Seer	USD	14.8	13 829
Longboard Pharmaceuticals	USD	12.8	12 505
Others			18 001
Total positions originating from private companies portfolio			561 053

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

2) Taking into account the increase in the provision for deferred tax on capital gain the net profit of the position amounts to CHF 68.6 million.

in a gain or loss that is greater than CHF 10 million. Those investments for which a gain or loss of more than CHF 10 million is due solely to currency fluctuations are not listed individually.

Gains on investments		2020/2021	
(realised and unrealised per company) ¹⁾			
	IC	IC million	CHF 000
Various companies			
Immunomedics	USD	74.1	67 785
Rocket Pharmaceuticals	USD	23.8	20 868
Biohaven Pharmaceuticals	USD	22.7	20 759
Argenx (ADR)	USD	21.2	19 140
Argenx	EUR	16.3	18 520
Laurus Labs	INR	1 361.7	17 328
Trillium Therapeutics	USD	19.1	17 191
Essa Pharma	USD	11.6	11 149
Beigene	HKD	87.4	10 468
Others			131 533
Total various companies			334 741
Total public companies			895 794
Total gains on investments			1 070 661

Losses on investments	2020/2021		
(realised and unrealised per company) ¹⁾	IC	IC million	CHF 000
Private companies			
Others			15 646
Total private companies			15 646
Funds			
Others			3 816
Total funds			3 816
Public companies			
Positions originating from private companies portfolio			
Others			5 984
Total positions originating from private companies portfolio			5 984
Various companies			
Intercept Pharmaceuticals	USD	10.7	10 494
Akebia Therapeutics	USD	10.3	10 200
Others			37 596
Total various companies			58 290
Total public companies			64 274
Total losses on investments			83 736

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

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

Gains on investments	2019/2020		
(realised and unrealised per company) ¹⁾	IC	IC million	CHF 000
Private companies			
Cathay Biotech ²⁾	CNY	299.0	81 097
Harmony Biosciences	USD	26.2	23 963
Swixx BioPharma	EUR	15.0	14 733
Others			2 426
Total private companies			122 219
Funds			
Others			17 687
Total funds			17 687
Public companies			
Positions originating from private companies portfolio			
Viela Bio	USD	37.0	34 573
Turning Point Therapeutics	USD	34.6	33 822
Arcutis	USD	27.6	26 243
SpringWorks Therapeutics	USD	23.1	21 873
Total positions originating from private companies portfolio			116 511
Various companies			
XBiotech	USD	25.4	24 392
RA Pharmaceuticals	USD	16.9	16 757
Galapagos	EUR	14.8	15 131
Others			77 421
Total various companies			133 701
Total public companies			250 212
Total gains on investments			390 118

Losses on investments	2019/2020		
(realised and unrealised per company) ¹⁾	IC	IC million	CHF 000
Private companies			
Others			28 617
Total private companies			28 617
Funds			
Others			8 430
Total funds			8 430
Public companies			
Zogenix	USD	19.9	20 352
ObsEva (ADS)	USD	11.9	11 949
Others			119 655
Total public companies			151 956
Total losses on investments			189 003

3.2 Financial instruments

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

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

Holdings of financial instruments (CHF 000)	31.3.2021	31.3.2020
Currency hedging		
Forward contracts for currency hedging purposes	0	4325
Other financial instruments		
Purchased call and put options	0	474
Total financial instruments long	0	4799
Currency hedging		
Forward contracts for currency hedging purposes	26682	0
Market hedging		
Sale of ETFs	102206	0
Total financial instruments short	128888	0

As at the balance sheet date, the foreign currency risk derived from the USD/CHF exchange rate was partially hedged by means of a forward sale of USD 900.0 million. The market value of the liability to this hedging position amounted to CHF 26.7 million as at the balance sheet date.

was in place. Worth CHF 102.2 million, the hedge consisted of the short sale of 0.8 million units of the SPDR S&P Biotech ETF (Exchange Traded Fund).

As at the balance sheet date, a partial hedge of the general market risk derived from public investments

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

Income from financial instruments (CHF 000)	2020/2021	2019/2020
Gains from currency hedging transactions	14790	4325
Gains from market hedging transactions	0	43455
Gains from other financial instruments	4625	8402
Total gains from financial instruments	19415	56182
Losses from currency hedging transactions	-26682	0
Losses from market hedging transactions	-57018	0
Losses from other financial instruments	-3387	-550
Total losses from financial instruments	-87087	-550
Net result from financial instruments	-67672	55632

3.3 Other financial assets

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

based on the assessment of the likelihood of attaining the underlying targets. These claims are discounted over time at a discount rate of 11.0 percent (previous year: 11.0 percent). The valuation measures applied refer to commonly used industry statistics as well as own guidelines and estimates.

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

Claims to purchase price payments (CHF 000)	from investments held directly	from investments held indirectly via HBM BioCapital I	Total
Amount as at 31 March 2020	10 694	1 354	12 048
Addition	25 088	0	25 088
Payments received	-4 024	0	-4 024
Realised and unrealised gains/losses	6 521	-74	6 447
Amount as at 31 March 2021	38 279	1 280	39 559

Of the total book value as at 31 March 2021, CHF 38.3 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 1.3 million are reported under "Investments - Other private companies" (claims from investments held indirectly via HBM BioCapital I).

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

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

Balance sheet value and potential cash flows (CHF million)	Book value as at 31.3.2021	Cash flows minimum	Cash flows maximum	Expected period of payment
Forbius (Formation Biologics)	13.8	2.2	85.5	2021 – 2028
Corvidia Therapeutics	8.2	2.2	43.7	2021 – 2029
TandemLife (Cardiac Assist)	4.9	4.4	6.7	2021
True North Therapeutics	4.5	0.0	10.6	2021 – 2022
Vitaeris	4.5	0.2	84.5	2021 – 2024
Nereus ¹⁾	3.4	0.0	21.0	2021 – 2025
Tripex (former Mpex) ²⁾	0.0	0.0	8.3	from 2021 onward
Westmed Holding	0.3	0.4	0.4	2022
Total	39.6	9.4	260.7	

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

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

3.4 Management fee and performance fee

The Subsidiary has entered into an advisory agreement with HBM Partners Ltd (HBM Partners or Investment Advisor). This agreement requires HBM Partners to provide services in relation to the invest-

ment activities of HBM Healthcare. The compensation under the agreement includes a management fee and a performance fee. The compensation model is determined by the Board of Directors.

In the 2020/2021 financial year, the management fee and the performance fee were as follows:

Management fee (CHF 000)	2020/2021	2019/2020
Management fee to HBM Partners	26 326	20 545
Total management fee	26 326	20 545

Performance fee (CHF 000)	2020/2021	2019/2020
Full amount of performance fee	128 818	26 262
Share variable compensation to Board of Directors	-8 154	-1 576
Total performance fee	120 664	24 686

3.4.1 Management fee

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

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

Regarding the investments made by the Subsidiary in HBM BioCapital I and II, it has been agreed with the Investment Advisor since the beginning that HBM Healthcare's share of the management and performance fees (carried interest) charged by HBM BioCapital I and II will be reimbursed in full so that fees are not levied twice.

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

3.4.2 Performance fee

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

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

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

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

The calculation basis for the performance fee is the net asset value per share before provision is made for the performance fee and amounted to CHF 327.77 exceeding the high water mark of CHF 204.33 per share for the 2020/2021 financial year. After deducting the variable compensation to the Board of Directors, a performance fee of CHF 120.7 million is due to the Investment Advisor. With the beginning of the 2021/2022 financial year, the high water mark for all outstanding shares stands at CHF 327.77 (adjusted for any future dividend payments or capital repayments made to shareholders).

3.5 Provision for deferred tax on capital gain and other taxes

A provision in the amount of CHF 24.7 million (as at 31 March 2020: CHF 17.2 million) has been made for any tax on capital gain and other taxes owed in China that may arise on the sale of the investment in Cathay Biotech. The tax on capital gain is calculated on the difference between the relevant tax base and the disclosed fair value. In addition, a sales tax may arise, which is calculated on the difference between the potential selling proceeds and the issue price of the shares at the IPO. In previous years, until the holding in Cathay Industrial Biotech, Cayman Islands, was exchanged for a direct investment in Cathay Biotech, Shanghai, the provision for deferred tax on capital gain had been directly reflected in the fair value of the investment in Cathay Industrial Biotech.

3.6 Off-balance-sheet commitments

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

Investment commitments (CHF 000)	31.3.2021	31.3.2020
HBM BioCapital I+II	260	249
Other funds	68 209	46 327
Private companies	52 263	19 782
Total investment commitments	120 732	66 358

4. Financial liabilities

The following 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 bonds fall due for redemption is amortised over the term of the bonds and charged to financial expenses along with the interest that has been paid. The effective interest rates are 2.22 and 2.67 percent, respectively.

The interest paid in relation with the two straight bond tranches amounts to CHF 2.3 million (previous year: CHF 2.3 million), the effective interest expense totals CHF 2.5 million (previous year: CHF 2.4 million).

The fair value of the two straight bond tranches amounts to CHF 102.3 million (previous year: CHF 100.7 million) with a carrying amount of CHF 99.8 million (previous year: CHF 99.6 million).

5. Shareholders' equity

5.1 Share capital and capital reserve

As at the balance sheet date, the Company's share capital stood at CHF 290.93 million (previous year: CHF 344.52 million), divided into 6960 000 registered shares (previous year: 6960 000) at a par value of CHF 41.80 each (previous year: CHF 49.50).

The Shareholders' Meeting of 22 June 2020 approved a cash distribution of CHF 7.70 per share by means of a withholding tax-exempt par value repayment.

The Board of Directors proposes to the Shareholders' Meeting of 18 June 2021 a cash distribution of CHF 12.50 per share eligible for dividend (up to a maximum of CHF 86.9 million) by means of a withholding tax-exempt par value repayment. Thereof CHF 9.50 are made as ordinary distribution and CHF 3.00 as special distribution to mark the 20th anniversary of the Company.

5.2 Treasury shares

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

The Company holds 2 910 of its own shares (previous year: 2 910) as at the balance sheet date of 31 March 2021. During the 2020/2021 financial year, none of the Company's own shares were acquired (previous year: none).

Holdings from second trading line (Number of own shares)	2020/2021	2019/2020
Beginning of financial year	2 910	2 910
Acquired via second trading line under share buy-back programme	0	0
End of financial year	2 910	2 910

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd. holds 6 854 treasury shares (previous year: 98 363), acquired via the regular trading line. During the 2020/2021 financial year, the Subsidiary acquired a total of 156 329 treasury shares via the regular trading line at an average price of CHF 259.99 per share (previous year: 278 659 at CHF 191.29) and sold 247 838 treasury shares at an average price of CHF 253.44 per share (previous year: 273 276 at CHF 191.96).

5.3 Significant shareholders

Based on information received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2021.

Shareholding

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

6. Personnel expenses

Personnel expenses were composed as follows during the reporting year:

Personnel expenses (CHF 000)	2020/2021	2019/2020
Fixed compensation to Board of Directors	445	405
Variable compensation to Board of Directors	8 154	1 576
Wages and salaries	296	296
Social insurance contributions and duties	322	98
Other personnel expenses	78	193
Total personnel expenses	9 295	2 568

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

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

7. Taxes

HBM Healthcare does not capitalise deferred tax assets relating to the Company's loss carry-forwards because it is unlikely, given the tax status of the Company and its subsidiary on the Cayman Islands, that any loss carry-forwards could be used in the near future. The Company had no deductible loss carry-forwards as at 31 March 2021 (previous year: none).

Other Disclosures

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

8. Financial risk management

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

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

8.1 Risk of limited market liquidity

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

of the portfolio and dialogue and cooperation with the portfolio companies and co-investors concerned.

8.2 Market risks

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

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

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

The healthcare sector as a whole depends on society's ability and willingness to pay for drugs, treatments and innovations that help to address health issues. If certain countries, specifically the United States of America as the largest market worldwide for drug and medical technology products, were to increase or reduce spending on such treatment options materially, HBM Healthcare's

portfolio companies might be impacted significantly. Political developments in countries in which the operations of some portfolio companies are located, such as China or India, might affect the ability of the companies in question to execute their business plans and attain their growth targets.

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

8.3 Liquidity risks

The Investment Guidelines oblige HBM Healthcare to maintain an appropriate level of short-term funds in order to participate in follow-on financing for portfolio companies and to ensure that the Company is able to meet all of its liabilities and investment com-

mitments. When determining the necessary level of liquidity, the most important factors are (1) the expected due dates of HBM Healthcare's investment commitments, (2) due dates for the repayment of borrowed capital under compliance with bond terms and/or the possibility of refinancing, (3) expected payment dates of other contractual obligations, (4) expected follow-on financing rounds at private portfolio companies, including their anticipated timing, (5) the trading liquidity of public portfolio companies, (6) expected cash flows from the sale of private portfolio companies and (7) the extent of share buy-backs and cash distributions to shareholders.

The following table analyses the liabilities and off-balance-sheet investment commitments of HBM Healthcare and its Subsidiary as at the balance sheet date with regard to the due dates of contractual cash flows (including interest on financial liabilities):

	Book value as at balance sheet date ¹⁾	Total contractual cash flows	Due within 3 months	Due within 3–12 months	Due within 12–24 months	Due within >24 months
Liquidity risks (CHF million)						
Balance sheet liabilities						
Current financial liabilities	50.0	51.0	0.0	51.0	0.0	0.0
Other current liabilities	132.0	132.0	130.4	1.6	0.0	0.0
Non-current financial liabilities	49.8	53.9	0.0	1.3	1.3	51.3
Total liabilities as at 31 March 2021	231.8	236.9	130.4	53.9	1.3	51.3
Total liabilities as at 31 March 2020	129.0	136.5	27.8	3.9	52.3	52.5
Off-balance-sheet investment commitments ²⁾						
Expected drawdowns HBM BioCapital I+II	0.3	0.3	0.0	0.3	0.0	0.0
Expected drawdowns other funds	68.2	68.2	4.5	15.5	20.0	28.2
Expected maturities investment commitments to private companies	52.2	52.2	13.6	38.6	0.0	0.0
Total investment commitments as at 31 March 2021	120.7	120.7	18.1	54.4	20.0	28.2
Total investment commitments as at 31 March 2020	66.4	66.4	7.8	27.3	15.0	16.3

1) Positions held by parent company and Subsidiary.

2) Due dates are estimates.

Given the maturity of HBM Healthcare's portfolio, the Board of Directors anticipates that a favourable market environment will provide regular exit opportunities for the sale of the Company's private and public investments, at the corresponding levels of added value. HBM Healthcare manages its liquidity by means of comprehensive liquidity planning.

8.4 Foreign currency risks

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

As at the balance sheet date, 60 percent (net of hedge) of HBM Healthcare's total assets were subject to foreign currency risks (previous year: 56 percent).

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

31 March 2021 ¹⁾ (CHF million)	Fair value	Foreign exchange rates	
		+10%	-10%
Net assets in USD	749.1	74.9	-74.9
Net assets in CNY	292.3	29.2	-29.2
Net assets in EUR	171.6	17.2	-17.2
Net assets in INR	96.2	9.6	-9.6
Net assets held in other foreign currencies	127.8	12.8	-12.8
31 March 2020 ¹⁾ (CHF million)			
Net assets in USD	411.9	41.2	-41.2
Net assets in CNY	216.2	21.6	-21.6
Net assets in EUR	138.1	13.8	-13.8
Net assets in INR	57.6	5.8	-5.8
Net assets held in other foreign currencies	54.3	5.4	-5.4

1) Effect on annual result assumes a currency hedge of USD 900 million (previous year: USD 600 million) against the Swiss franc.

8.5 Interest rate risks

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

8.6 Valuation risks and fair values

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

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

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

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

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

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

The IPOs of ALX Oncology, iTeos Therapeutics, Cathay Biotech, Harmony Biosciences, Everest Medicines and Galecto Therapeutics resulted in assets amounting to CHF 302.6 million being reclassified from level 3 to level 1 during the 2020/2021 financial year.

Assets and liabilities at fair value as at 31 March 2021 (CHF million)	Level 1 "Quoted prices"	Level 2 "Observable inputs"	Level 3 "Unobser- vable inputs"	Total
Investments				
Private companies			446.2	446.2
Funds			216.6	216.6
Public companies	1 404.2			1 404.2
Shares of parent company ¹⁾	2.3			2.3
Other financial assets			38.3	38.3
Total assets at fair value	1 406.5		701.1	2 107.6
Financial instruments	128.9			128.9
Total liabilities at fair value	128.9	0.0	0.0	128.9

Assets at fair value as at 31 March 2020 (CHF million)

Investments				
Private companies			550.4	550.4
Funds			156.0	156.0
Public companies	629.9			629.9
Shares of parent company ¹⁾	18.7			18.7
Financial instruments		4.8		4.8
Other financial assets			10.7	10.7
Total assets at fair value	648.6	4.8	717.1	1 370.5

1) Held by Subsidiary.

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

8.7 Credit risks

Credit risks with regard to all HBM Healthcare assets relate to the risk that a debtor may become unable to meet its liabilities. In order to minimise this risk, HBM Healthcare holds cash and cash equivalents, listed securities, foreign exchange and derivatives only with top-rated financial institutions. In addition, risks are diversified across a number of

different counterparties. Credit risks mainly relate to cash and cash equivalents and contractual claims on the sale proceeds of portfolio companies disclosed in note 2.7.4 "Other financial assets" and amount to CHF 366.6 million (previous year: CHF 236.2 million). As at the balance sheet date, there were no receivables overdue, and there were no recorded losses on receivables during the 2020/2021 financial year.

8.8 Capital management

The Company manages its shareholders' equity within the limits of the law and in accordance with its investment strategy and its liquidity planning. Details of current share buy-back programmes and the number of treasury shares held by the Company are given in note 5.2 "Treasury shares".

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

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

8.9. Impact of COVID-19

The COVID-19 pandemic has had a moderate impact on the portfolio companies so far. In individual cases, there were delays in their business activities. The increased volatility on the financial markets caused temporary uncertainty. In general, however, the companies proved robust in their development and benefitted from the strong research and development tailwinds in the sector and the positive mood on the financial markets. IPOs, private and public follow-on financing activities achieved record high volumes.

It is currently not possible to draw a conclusion on the further course of the pandemic and its implications. The Board of Directors is monitoring the situation and the potential impact on the Company very closely. The Company is in a position to continue its usual operations in accordance with its investment policy.

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

9. Transactions with related parties

9.1 Payments to members of governing bodies and related parties

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

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

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

The seven members of the Board of Directors received fixed directors' remuneration totalling CHF 277 000 for the 2020/2021 financial year (previous year: CHF 249 000). In addition, the Board of Directors received meeting fees totalling CHF 88 000 (previous year: CHF 76 000). For their Committee activities, the two members of the Audit Committee and the two members of the Compensation Committee received fees totalling CHF 80 000 (previous year: CHF 80 000). The Board of Directors' performance fee for the 2020/2021 financial year totalled CHF 8 154 300 (previous year: CHF 1 575 600). The legally required social security contributions (employer's contribution) and duties paid by the Company on these fees came to a total of CHF 298 700 (previous year: CHF 74 350).

During the reporting period, the members of Management, who are also employed by HBM Partners, received 40 percent (previous year: 40 percent) of their total fixed fee paid out from HBM Healthcare. For the 2020/2021 reporting year, these payments totalled CHF 319 614 (previous year: CHF 319 259), including legally required social security contributions (employer's contribution). No performance fee was paid to the members of Management (previous year: none).

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

A detailed overview of the total compensation paid to individual members of the Board of Directors and Management is shown in the compensation report on pages 53 and 54.

9.2 Investment holdings

HBM Healthcare holds an investment in the Hatteras Venture Partners III fund, where Board member Robert A. Ingram serves as General Partner. Details on the investment commitment, paid-in capital and the valuation of this investment can be found in the overview of funds given in note 3.1 "Investments" on page 73.

10. Events after the balance sheet date

The Board of Directors of the Company approved these Group Financial Statements on 6 May 2021. No events occurred between the balance sheet date and the date of approval of these Group Financial Statements that impact on the informational value of the latter.

To the General Meeting of
HBM Healthcare Investments Ltd, Zug

Zurich, 6 May 2021

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



Opinion

We have audited the group financial statements of HBM Healthcare Investments Ltd (the Company), which comprise the statement of financial position as at 31 March 2021 and the statement of income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the group financial statements (pages 61 to 88) give a true and fair view of the financial position of the Company as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and comply with Swiss law.



Basis for opinion

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

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

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



Key audit matters

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

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

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the group financial statements.

Valuation of the investment in the subsidiary

Risk	<p>HBM Healthcare Investments Ltd's only financial asset is a wholly owned investment in HBM Healthcare Investments (Cayman) Ltd. This, in turn, has many financial assets, all of which are classified as financial assets at fair value through profit or loss. This also includes assumptions used in valuations due to financing rounds, when recognizing impairments in stages and for valuation using valuation models. This requires estimates to be made by the management and the investment advisor and could lead to values that may differ from those calculated using other generally accepted valuation principles.</p> <p>Owing to the uncertainty involved in measuring investments in private, non-listed companies and venture capital funds, the estimated fair value calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines") can differ from the values that would have been used, had an active market for these investments existed.</p> <p>These risks could have an effect on the fair value of the investment in the subsidiary HBM Healthcare Investments (Cayman) Ltd.</p> <p>The valuation principles are disclosed under "Investments" (note 2.7.2) and details about the profits recognized can be found under "Investment in Subsidiary" (note 3) and "Investments" (note 3.1).</p>
Our audit response	<p>We performed the various audit procedures on the fair value of the investments held by the subsidiary. These included the following:</p> <p>We obtained an understanding of the Company's process in respect of investments in private companies and their valuation.</p> <p>Furthermore, we audited the estimates and assumptions made by the management for significant investments based on interviews and the documentation that serves as the basis for the estimate ("monitoring sheets"), in particular in respect of the development of significant venture capital.</p> <p>We compared the value adjustments due to financing rounds with the underlying documents, such as share purchase agreements. In instances where changes in value were recorded based on valuation models, we compared the revenue or results, with the involvement of specialists, with the relevant documents such as available annual financial statements, budgets and "monitoring sheets", and reviewed the changes in value based on the valuation methods used.</p> <p>Our audit did not lead to any reservations relating to the valuation of the investment in the subsidiary.</p>



Other information in the annual report

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

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

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



Responsibility of the Board of Directors for the group financial statements

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

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



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

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

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



Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd



Jürg Zürcher
Licensed audit expert
(Auditor in charge)



Roman Ottiger
Licensed audit expert

Balance sheet (CHF 000)	Notes	31.3.2021	31.3.2020
Assets			
Current assets			
Cash and cash equivalents		6 033	6 096
Receivables		17	27
Total current assets		6 050	6 123
Non-current assets			
Investment in subsidiary		846 000	846 000
Total non-current assets		846 000	846 000
Total assets		852 050	852 123
Liabilities			
Current liabilities			
Liability from performance fee		8 154	1 576
Financial liabilities	(3)	50 000	0
Other liabilities		2 471	2 248
Total current liabilities		60 625	3 824
Non-current liabilities			
Financial liabilities	(3)	50 000	100 000
Total non-current liabilities		50 000	100 000
Shareholders' equity			
Share capital		290 928	344 520
Treasury shares	(2.4)	-402	-402
Legal capital reserve			
Reserve from capital brought in		331	331
Legal retained earnings			
General legal reserve		85 410	85 410
Reserve for treasury shares ¹⁾	(2.4)	2 258	18 468
Voluntary retained earnings			
Free reserve		79 865	63 633
Retained earnings		283 035	236 339
Total shareholders' equity		741 425	748 299
Total liabilities and shareholders' equity		852 050	852 123

1) For treasury shares held by Subsidiary.

Statement of income for the financial year ended 31 March (CHF 000)	2020/2021	2019/2020
Income		
Financial income	0	1
Income from participations	59 000	60 000
Total income	59 000	60 001
Expenses		
Financial expenses	2 267	2 271
Personnel expenses	9 295	2 568
Administration expenses	742	923
Total expenses	12 304	5 762
Net result for the year	46 696	54 239

Statement of changes in equity (CHF 000)	Number of shares	Share capital	Treasury shares	Reserve from capital brought in	General legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
Balance as at 31 March 2018	7 040 000	411 840	-10 048	38 595	85 410	6 979	80 061	136 371	749 208
Distribution from capital reserve (29.6.2018)				-38 264					-38 264
Capital reduction (10.9.2018)	-80 000	-4 680	9 646				-4 966		0
Par value repayment (21.9.2018)		-10 440					5		-10 435
Increase in reserve for treasury shares ¹⁾						8 363	-8 363		0
Net result for the year								45 729	45 729
Balance as at 31 March 2019	6 960 000	396 720	-402	331	85 410	15 342	66 737	182 100	746 238
Par value repayment (12.9.2019)		-52 200					22		-52 178
Increase in reserve for treasury shares ¹⁾						3 126	-3 126		0
Net result for the year								54 239	54 239
Balance as at 31 March 2020	6 960 000	344 520	-402	331	85 410	18 468	63 633	236 339	748 299
Par value repayment (10.9.2020)		-53 592					22		-53 570
Increase in reserve for treasury shares ¹⁾						-16 210	16 210		0
Net result for the year								46 696	46 696
Balance as at 31 March 2021	6 960 000	290 928	-402	331	85 410	2 258	79 865	283 035	741 425

1) For treasury shares held by Subsidiary.

1. General

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

2. Accounting policies

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

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

2.1 Cash and cash equivalents

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

2.2 Investment in Subsidiary

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

2.3 Liabilities

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

2.4 Treasury shares

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

3. Financial liabilities

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

4. Treasury shares

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

The Company holds 2910 of its own shares (previous year: 2910) as at the balance sheet date of 31 March 2021. During the 2020/2021 financial year, none of the Company's own shares were acquired (previous year: none).

Holdings from second trading line (Number of own shares)	2020/2021	2019/2020
Beginning of financial year	2910	2910
Acquired via second trading line under share buy-back programme	0	0
End of financial year	2910	2910

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd. holds 6854 treasury shares (previous year: 98363), acquired via the regular trading line. During the 2020/2021 financial year, the Subsidiary acquired a total of 156329 treasury shares via the regular trading line at an average price of CHF 259.99 per share (previous year: 278659 at CHF 191.29) and sold 247838 treasury shares at an average price of CHF 253.44 per share (previous year: 273276 at CHF 191.96).

5. Significant shareholders

Based on information received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2021:

Shareholding

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

6. Major subsidiaries

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

(CHF 000)	Capital as at 31.3.2021	Capital as at 31.3.2020
HBM Healthcare Investments (Cayman) Ltd., Cayman Islands	846 000	846 000

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

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

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

7. Shares held by the Board of Directors and Management

Shares held directly or indirectly by governing bodies (number of registered shares)	31.3.2021	31.3.2020
Board of Directors		
Hans Peter Hasler, Chairman	7 710	8 500
Prof. Dr Dr h.c. mult. Heinz Riesenhuber, Vice Chairman	4 534	4 000
Mario G. Giuliani, Member ¹⁾	1 101 489	1 100 612
Dr Eduard E. Holdener, Member	663	1 400
Robert A. Ingram, Member	1 534	1 000
Dr Rudolf Lanz, Member	2 635	3 300
Dr Stella X. Xu, Member	0	0
Management		
Dr Andreas Wicki, CEO	53 490	53 490
Erwin Troxler, CFO	6 500	8 902

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

8. Other disclosures required by law

8.1 Declaration of full-time equivalents

The annualised average number of full-time equivalents employed by the Company during the 2020/2021 financial year was less than one (previous year: less than one).

8.2 Contingent liabilities

As at 31 March 2021, the Company did not have any outstanding contingent liabilities (previous year: none).

8.3 Business review and statement of cash flows

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

9. Impact of COVID-19

The COVID-19 pandemic has had a moderate impact on the portfolio companies so far. In individual cases, there were delays in their business activities. The increased volatility on the financial markets caused temporary uncertainty. In general, however, the companies proved robust in their development and benefitted from the strong research and development tailwinds in the sector and the positive mood on the financial markets. IPOs, private and public follow-on financing activities achieved record high volumes.

It is currently not possible to draw a conclusion on the further course of the pandemic and its implications. The Board of Directors of the Company is monitoring the situation and the potential impact on the Company very closely. The Company is in a position to continue its usual operations in accordance with its investment policy.

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

10. Events after the balance sheet date

The Board of Directors of the Company authorised these Statutory Annual Financial Statements on 6 May 2021. No events occurred between the balance sheet date and the date of approval of the annual financial statements that impact on the informational value of the latter.

Proposals of the Board of Directors

1. Appropriation of earnings

The Board of Directors proposes to the Shareholders' Meeting that retained earnings of CHF 283 million be used as follows:

Retained earnings (CHF)	2020/2021
Beginning of financial year	236 338 922
Net result for the year	46 695 971
End of financial year (carried forward)	283 034 893

2. Cash distribution from a par value repayment

The Board of Directors proposes to the Shareholders' Meeting a cash distribution of CHF 12.50 per share eligible for dividend (up to a maximum of CHF 86.9 million) by means of a withholding tax-exempt par value repayment. Thereof CHF 9.50 are made as ordinary distribution and CHF 3.00 as special distribution to mark the 20th anniversary of the Company. The cash distribution will be paid out after the expiration of the legal deadlines.

To the General Meeting of
HBM Healthcare Investments Ltd, Zug

Zurich, 6 May 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HBM Healthcare Investments Ltd (the Company), which comprise the balance sheet, income statement and notes (pages 93 to 98), for the year ended 31 March 2021.



Board of Directors' responsibility

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



Auditor's responsibility

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

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



Opinion

In our opinion, the financial statements for the year ended 31 March 2021 comply with Swiss law and the Company's articles of incorporation.



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

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

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

Valuation of the investment in the subsidiary

Risk	<p>The wholly owned investment of HBM Healthcare Investments Ltd in HBM Healthcare Investments (Cayman) Ltd. is recognized at no more than cost less any impairments. All investments held by HBM Healthcare Investments (Cayman) Ltd. are classified by this company as financial assets at fair value through profit or loss. The fair value of these investments is also taken into account when assessing any impairment at the level of HBM Healthcare Investments Ltd. This also includes assumptions used in valuations due to financing rounds, when recognizing impairments in stages and for valuation using valuation models. This requires estimates to be made by the management and the investment advisor and could lead to values that may differ from those calculated using other generally accepted valuation principles. These risks could have an effect on the fair value of the investment in the subsidiary HBM Healthcare Investments (Cayman) Ltd. and the investments held by this company, which, in turn, could have an effect on the carrying amount of the investment at HBM Healthcare Investments Ltd. The valuation principles are disclosed under "Investment in Subsidiary" (note 2.2) and the details about the investments and profits recognized can be found under "Major subsidiaries" (note 6).</p>
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Our audit response

We performed various audit procedures on the fair value of the investments held by the subsidiary. These included the following:

We obtained an understanding of the Company's process in respect of investments in private companies and their valuation.

Furthermore, we audited the estimates and assumptions made by the management for significant investments based on interviews and the documentation that serves as the basis for the estimate ("monitoring sheets"), in particular in respect of the development of significant venture capital.

We compared the value adjustments of existing investments due to financing rounds with the underlying documents, such as share purchase agreements. In instances where changes in the value recorded based on valuation models, we compared the revenue or results, were with the involvement of specialists, with the relevant documents such as available annual financial statements, budgets and "monitoring sheets", and reviewed the changes in value based on the valuation methods used.

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



Report on other legal requirements

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

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

We further confirm that the proposed appropriation of available earnings (page 99) complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Jürg Zürcher
Licensed audit expert
(Auditor in charge)

Roman Ottiger
Licensed audit expert

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Company website

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SIX Swiss Exchange Ticker

Significant shareholders

Based on the notifications received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 31 March 2021:

Shareholding

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

Fees

Management fee (paid quarterly):
0.75% of Company assets plus
0.75% of the Company's market capitalisation
Performance fee (paid annually):
15% on increase in value above the high water mark
High water mark (per share for all outstanding
shares) for financial year 2021/2022:
NAV of CHF 327.77

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 Stella X. Xu, Member
Dr Benedikt Suter, Secretary
Dr Andreas Wicki, Chief Executive Officer
Erwin Troxler, Chief Financial Officer

Investment Advisor

HBM Partners Ltd, Zug www.hbmpartners.com



Credits

Editorial

HBM Healthcare Investments Ltd

Photography

Patrizio di Renzo, Markus Bertschi, Getty Images, iStockphoto

Concept and realisation

Weber-Thedy Strategic Communication

Design

Küng Art Direction

Layout and print

Bader + Niederöst AG

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The Annual Report is published in English and German.

The German version is binding in all matters of interpretation.

