

Half-Year Report

# 2018

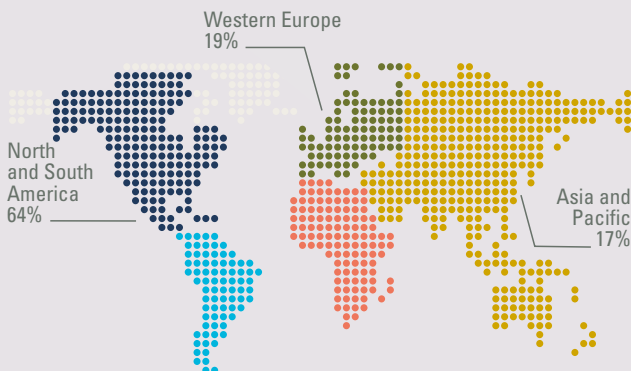
## September

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

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

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

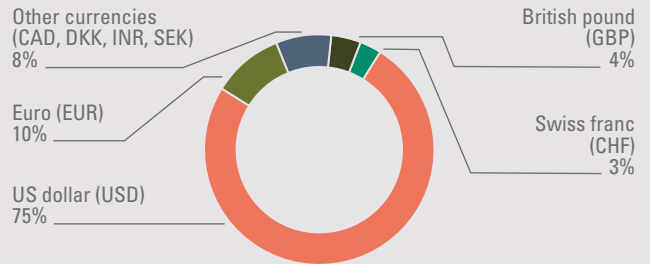
International portfolio with its main focus on North America.



1) Total assets (net of liability to Subsidiary) as at 30.9.2018: CHF 1 381 million.

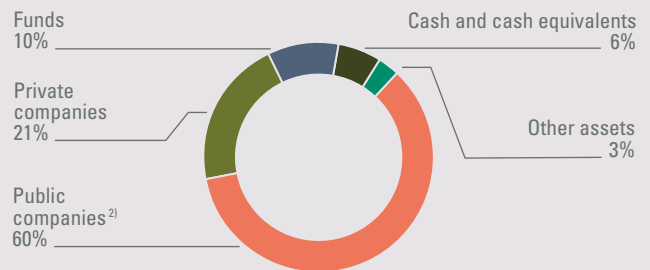
**Currency allocation of assets<sup>1)</sup>**

Emphasis on US dollar investments.



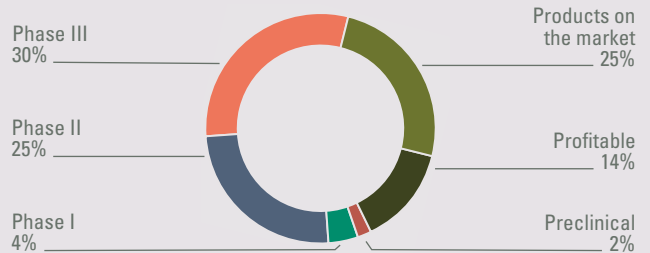
**Allocation of assets<sup>1)</sup>**

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



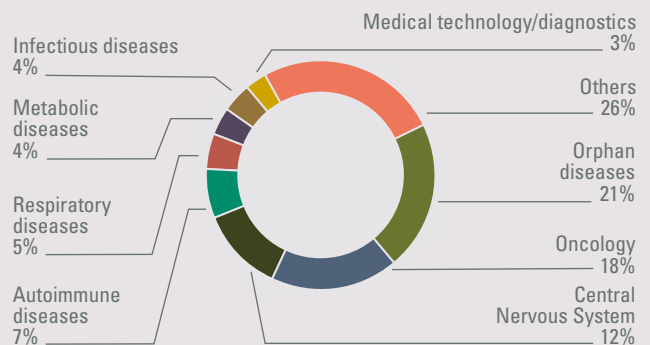
**Development phase of portfolio companies<sup>3)</sup>**

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



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

Broadly diversified areas of activity.



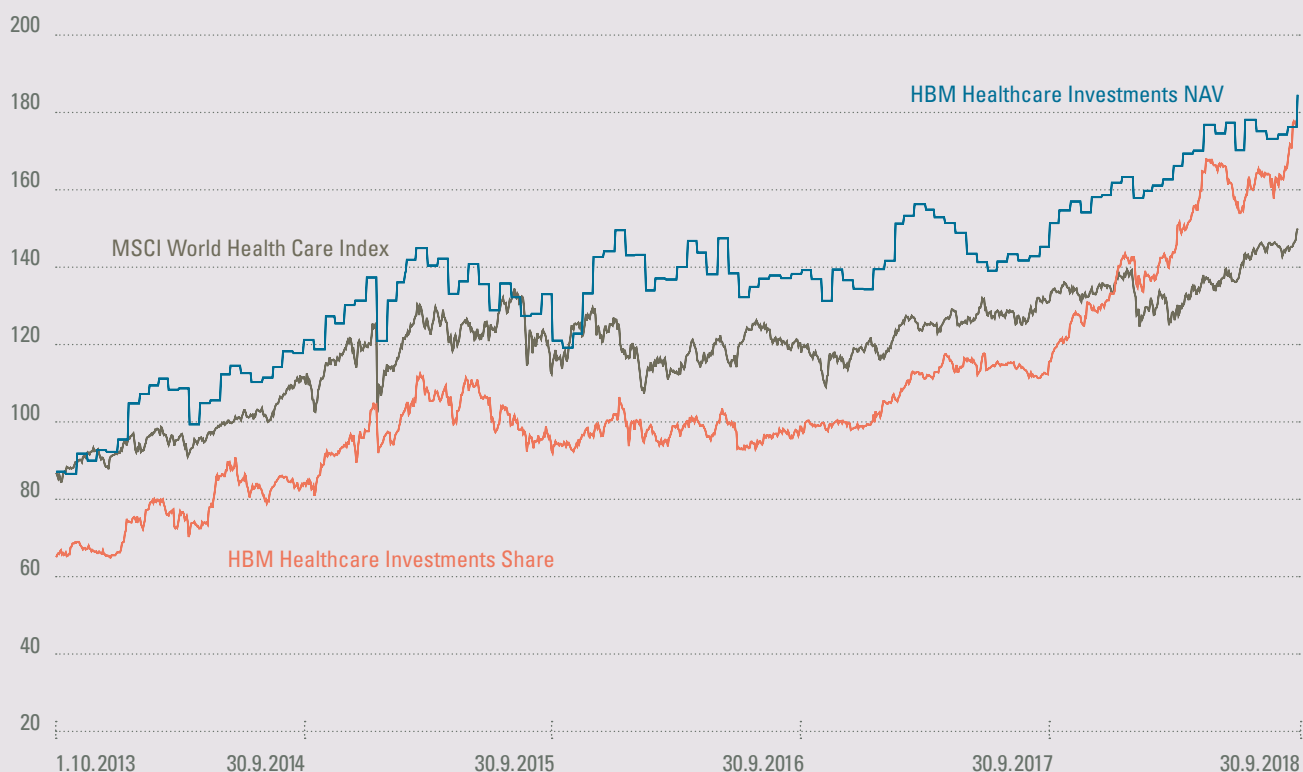
2) A little less than a fifth of this amount is hedged.

3) Total investments as at 30.9.2018: CHF 1 279 million.

<b>Key Figures</b>		30.9.2018	31.3.2018	31.3.2017	restated 31.3.2016	restated 31.3.2015
<b>Net assets</b>	CHF million	<b>1286.1</b>	<b>1157.9</b>	<b>1095.8</b>	<b>1034.8</b>	<b>1086.6</b>
Investments in private companies and funds		431.4	413.9	274.3	299.5	273.4
Investments in public companies		847.8	750.0	813.6	677.0	748.1
Cash and cash equivalents (net of liability from market hedging)		90.9	72.4	77.0	104.8	76.9
<b>Net result for the period</b>	CHF million	<b>176.9</b>	<b>115.9</b>	<b>136.8</b>	<b>23.8</b>	<b>257.5</b>
Basic earnings per share	CHF	25.43	16.55	18.96	3.11	32.47
Net asset value (NAV) per share	CHF	184.86	166.43	155.09	139.41	140.12
Share price	CHF	178.40	144.00	111.40	99.45	108.00
<b>Discount</b>	%	<b>-3.5</b>	<b>-13.5</b>	<b>-28.2</b>	<b>-28.7</b>	<b>-22.9</b>
Distribution per share	CHF		7.00	5.80	5.50	5.50
Distribution yield	%		4.9	5.2	5.1	5.1
Shares issued	Registered shares (m)	7.0	7.0	7.3	7.7	8.0
Shares outstanding	Registered shares (m)	7.0	7.0	7.1	7.4	7.8

<b>Performance (including distributions)</b>		2018/2019 (6 months)	2017/2018	2016/2017	restated 2015/2016	restated 2014/2015
Net asset value (NAV)	%	15.3	11.1	15.2	3.4	31.6
Registered share HBMN	%	28.8	34.5	17.5	-2.8	47.0

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



The second quarter of the 2018/2019 financial year saw HBM Healthcare Investments far exceed what had already been a very successful first-quarter result to make a profit of CHF 110 million. This takes net earnings for the first half of the year to CHF 177 million. As in the previous quarter, the share price rose almost twice as strongly as net asset value (NAV) per share, at 28.8 percent and 15.3 percent respectively, thereby further reducing the discount. The increase in value came from private and public companies equally, confirming the Company's investment strategy. To ensure that the portfolio remains well balanced, HBM Healthcare Investments invested more than CHF 44 million in five private companies during the quarter just ended. It is also considering locking in the profits generated by certain public holdings. The partial hedge of the public portfolio remains in place.

#### **Dear Shareholders**

HBM Healthcare Investments generated a profit of CHF 110.4 million in the second quarter of the 2018/2019 financial year, taking the total for the first half of the year to CHF 176.9 million. Net asset value (NAV) per share rose by 15.3 percent in the first six months, while the share price soared by as much as 28.8 percent, thereby further reducing its discount to NAV.

The main contributors to the increase in profit were two private and two public companies, once again demonstrating the appeal of our investment strategy.

The value of our holding in Y-mAbs Therapeutics was up by over CHF 48 million, to CHF 80 million, following the company's IPO in September. HBM Healthcare Investments took a CHF 23 million stake in Y-mAbs in October 2017, and increased its holding by a further CHF 9 million as part of the IPO.

Principia Biopharma, in which HBM Healthcare Investments made an initial investment of CHF 12 million in August 2018 as part of a private financing round, also went public in September. Here, too, we took the opportunity of the IPO to increase our holding, by CHF 7 million. The value of this position had increased by CHF 17 million to CHF 36 million by the end of September.

BioArctic, which is listed on the Stockholm stock exchange, is working with partners Biogen and Eisai to develop a compound to treat Alzheimer's disease. The company attracted considerable attention in early July with the publication of positive data from a phase II trial. HBM Healthcare Investments invested just under CHF 8 million as the anchor investor when BioArctic went public in October 2017. Positive study results have seen the share price more than quadruple since then, contributing CHF 22 million to HBM Healthcare Investments' earnings.

The Pacira Pharmaceuticals share price also recovered from a low level, taking the value of our investment CHF 18 million higher, to CHF 53 million.

### **New investments in private companies**

In addition to the investment in Principia Biopharma referred to above, HBM has taken stakes in four more private companies since the end of June.

- > USD 15 million was invested in Guangdong Jianke Pharmaceutical, China's leading online pharmacy and healthcare service platform. The company is planning to go public in the USA in 2019.
- > Cardialen, a US medical technology company, is developing a small implant as a new means of treating cardiac arrhythmia. We invested USD 5 million in the company.
- > A further USD 5 million was invested in Galera Therapeutics. Galera is conducting clinical trials of a compound to treat oral mucositis, a common side-effect of radiation therapies to treat cancer.
- > USD 2 million was invested in the Chinese company Nuance Biotech as a co-investment with C-Bridge Capital. Nuance has a portfolio of products for the Chinese healthcare market. Among its other ventures, in June the company acquired the Chinese rights to the pain-killer Exparel® from Pacira.

## Outlook

The two IPOs – of Principia and Y-mAbs – increased the proportion of public companies in the portfolio by nine percentage points compared with the previous quarter. They now account for 66 percent of net assets, or 55 percent when the market hedge is taken into account. Private companies (including funds and milestone payments) contracted slightly to 36 percent. The portfolio thus remains carefully balanced and well diversified.

In view of further potential IPOs in the future, we will realise some of the increase in value on our public companies, and use the liquidity this generates for new investments and follow-on financing in the private companies segment. With these new investments, as well as upward revaluations following new financing rounds, we expect the proportion of private companies in the portfolio to rise again in the months to come.

All in all, we remain confident about future growth in the value of our portfolio companies, although uncertainty about general market trends persists where our public companies are concerned. We will therefore maintain the partial market hedge of around a fifth of this part of our portfolio.



Dr Andreas Wicki  
CEO



Erwin Troxler  
CFO

<b>Balance sheet</b> (CHF 000)	Notes	30.9.2018	31.3.2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		5 208	6 522
Receivables		95	37
<b>Total current assets</b>		<b>5 303</b>	<b>6 559</b>
<b>Non-current assets</b>			
Investment in subsidiary	(3)	1 432 955	1 253 924
<b>Total non-current assets</b>		<b>1 432 955</b>	<b>1 253 924</b>
<b>Total assets</b>		<b>1 438 258</b>	<b>1 260 483</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Liability to subsidiary		52 000	0
Liability from performance fee		0	1 018
Other liabilities		825	2 333
<b>Total current liabilities</b>		<b>52 825</b>	<b>3 351</b>
<b>Non-current liabilities</b>			
Financial liabilities	(4)	99 319	99 236
<b>Total non-current liabilities</b>		<b>99 319</b>	<b>99 236</b>
<b>Shareholders' equity</b>			
Share capital	(5.1)	396 720	411 840
Treasury shares	(5.2)	-402	-10 048
Capital reserve	(5.1)	142 093	185 318
Retained earnings		747 703	570 786
<b>Total shareholders' equity</b>		<b>1 286 114</b>	<b>1 157 896</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 438 258</b>	<b>1 260 483</b>
Number of outstanding shares (in 000)		6 957	6 957
Net asset value (NAV) per share (CHF)		184.86	166.43

<b>Statement of comprehensive income for the period 1 April to 30 September (CHF 000)</b>	Notes	Quarter ended 30.9.2018	Quarter ended 30.9.2017	6-month period ended 30.9.2018	6-month period ended 30.9.2017
Net change in value of investment in subsidiary	(3)	111 512	86 620	179 031	15 608
<b>Result from investment activities</b>		<b>111 512</b>	<b>86 620</b>	<b>179 031</b>	<b>15 608</b>
Personnel expenses		– 198	– 230	– 410	– 403
Other operating expenses		– 339	– 222	– 478	– 392
<b>Result before interest and taxes</b>		<b>110 975</b>	<b>86 168</b>	<b>178 143</b>	<b>14 813</b>
Financial expenses	(4)	– 621	– 590	– 1 226	– 1 214
Financial income		0	0	0	0
Income taxes		0	0	0	0
<b>Net result for the period</b>		<b>110 354</b>	<b>85 578</b>	<b>176 917</b>	<b>13 599</b>
<b>Comprehensive result</b>		<b>110 354</b>	<b>85 578</b>	<b>176 917</b>	<b>13 599</b>
Number of outstanding shares, time-weighted (in 000)		6 957	7 018	6 957	7 031
Basic earnings per share (CHF)		15.86	12.19	25.43	1.93

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



	6-month period ended 30.9.2018	6-month period ended 30.9.2017
<b>Statement of cash flows for the period 1 April to 30 September (CHF 000)</b>		
Other expenses paid (personnel and other operating expenses)	-2 345	-2 647
<b>Net cash flow from operating activities</b>	<b>-2 345</b>	<b>-2 647</b>
Interest payments paid	-2 269	-2 257
Loan from subsidiary	52 000	53 000
Cash distribution from capital reserve	-38 264	-40 783
Par value repayment	-10 435	0
Purchase of treasury shares	0	-7 868
<b>Net cash flow from financing activities</b>	<b>1 032</b>	<b>2 092</b>
<b>Currency translation differences</b>	<b>-1</b>	<b>-1</b>
<b>Net change in cash and cash equivalents</b>	<b>-1 314</b>	<b>-556</b>
Cash and cash equivalents at beginning of period	6 522	6 115
Cash and cash equivalents at end of period	5 208	5 559

	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
<b>Statement of changes in equity (CHF 000)</b>					
<b>Balance 31 March 2017</b>	<b>427 050</b>	<b>-23 563</b>	<b>237 362</b>	<b>454 912</b>	<b>1 095 761</b>
Comprehensive result				13 599	13 599
Purchase of treasury shares		-7 717			-7 717
Distribution from capital reserve (30.6.2017)			-40 783		-40 783
Capital reduction (14.9.2017)	-15 210	26 471	-11 261		0
<b>Balance 30 September 2017</b>	<b>411 840</b>	<b>-4 809</b>	<b>185 318</b>	<b>468 511</b>	<b>1 060 860</b>
Comprehensive result				102 275	102 275
Purchase of treasury shares		-5 239			-5 239
<b>Balance 31 March 2018</b>	<b>411 840</b>	<b>-10 048</b>	<b>185 318</b>	<b>570 786</b>	<b>1 157 896</b>
Comprehensive result				176 917	176 917
Purchase of treasury shares		0			0
Distribution from capital reserve (29.6.2018)			-38 264		-38 264
Capital reduction (10.9.2018)	-4 680	9 646	-4 966		0
Par value repayment (21.9.2018)	-10 440		5		-10 435
<b>Balance 30 September 2018</b>	<b>396 720</b>	<b>-402</b>	<b>142 093</b>	<b>747 703</b>	<b>1 286 114</b>

## General Statements

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

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

### 2. Accounting policies

The condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) IAS 34 on Interim Financial Reporting, and the provisions of the SIX Swiss Exchange Additional Rules on the Listing of Investment Companies. These interim financial statements should be read in conjunction with the Group Financial Statements for the financial year ended 31 March 2018, as they provide an update to the latest full financial report.

In preparing the interim financial statements, the same accounting policies and methods of computation have been applied as in the preparation of the annual financial statements as at 31 March 2018. A summary of the new and revised IFRS/IAS standards and interpretations effective in the year under review is provided on pages 62 and 63 of the Group Financial Statements of the 2017/2018 Annual Report.

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

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

Exchange rates (CHF)	30.9.2018	31.3.2018
CAD	0.7605	0.7395
DKK	0.1528	0.1577
EUR	1.1392	1.1757
GBP	1.2793	1.3370
INR	0.0135	0.0146
SEK	0.1104	0.1144
USD	0.9817	0.9540

## Notes to the Balance Sheet and Statement of Income

### 3. Investment in Subsidiary

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

	6-month period ended 30.9.2018	6-month period ended 30.9.2017
<b>Development fair value investment (CHF 000)</b>		
<b>Fair value at the beginning of period</b>	<b>1 253 924</b>	<b>1 192 834</b>
Change in value, gross	179 031	15 608
<b>Fair value at the end of period</b>	<b>1 432 955</b>	<b>1 208 442</b>

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

<b>Composition net assets (CHF 000)</b>	30.9.2018	31.3.2018	30.9.2017
Cash and cash equivalents	232 295	213 551	210 450
Receivables	269	393	220
Loan to parent company	52 000	0	53 000
Investments			
Private companies	293 655	288 365	212 550
Funds	137 764	125 579	117 487
Public companies	847 783	749 960	733 781
Shares of parent company	10 532	7 403	6 547
Financial instruments	2 319	3 121	14 402
Other financial assets	31 809	29 740	28 483
<b>Total assets</b>	<b>1 608 426</b>	<b>1 418 112</b>	<b>1 376 920</b>
Financial instruments	-146 595	-147 628	-167 734
Liability from performance fee	-28 227	-15 942	0
Other current liabilities	-649	-618	-744
<b>Total net assets at fair value</b>	<b>1 432 955</b>	<b>1 253 924</b>	<b>1 208 442</b>

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

	6-month period ended 30.9.2018	6-month period ended 30.9.2017
<b>Change in net assets at fair value (CHF 000)</b>		
Net result on investments	219 148	53 850
Dividend income	296	52
Net result from financial instruments	-12 650	-26 432
Net result from other financial assets	6 620	-4 429
Net result from shares of parent company	2 737	291
<b>Result from investing activities</b>	<b>216 151</b>	<b>23 332</b>
Management fee	-8 324	-6 865
Performance fee	-28 227	0
Personnel and other operating expenses	-594	-843
Financial result	25	-16
<b>Change in value, gross</b>	<b>179 031</b>	<b>15 608</b>
<b>Net change in value of investment</b>	<b>179 031</b>	<b>15 608</b>

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

### 3.1 Investments

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

<b>Development of investments (CHF 000)</b>	Private companies	Funds	Public companies	Total investments
<b>Fair value 31 March 2018</b>	<b>288 365</b>	<b>125 579</b>	<b>749 960</b>	<b>1 163 904</b>
Reclassification owing to IPO (Aptinyx)	-6 201	0	6 201	0
Reclassification owing to IPO (Y-mAbs Therapeutics)	-22 176	0	22 176	0
<b>Fair value 31 March 2018 (after reclassification)</b>	<b>259 988</b>	<b>125 579</b>	<b>778 337</b>	<b>1 163 904</b>
Purchases	55 431	9 354	245 486	310 271
Sales	-36 012	-8 430	-369 679	-414 121
Realised gains	28 115	75	140 422	168 612
Realised losses	-5 591	-202	-37 456	-43 249
Changes in unrealised gains/losses	-8 276	11 388	90 673	93 785
Net result on investments	14 248	11 261	193 639	219 148
<b>Fair value 30 September 2018</b>	<b>293 655</b>	<b>137 764</b>	<b>847 783</b>	<b>1 279 202</b>

Details on investments can be found on pages 13 to 16.

Private companies	Domicile	Investment currency	Amount disbursed 31.3.2018	Changes in reporting period	Amount disbursed 30.9.2018	Fair value 30.9.2018	Ownership 30.9.2018	Fair value 30.9.2018	Fair value 31.3.2018
			IC million	IC million	IC million	IC million	%	CHF 000	CHF 000
Cathay Industrial Biotech	CN	USD	28.0		28.0	91.5	7.9	89 827	87 292
Harmony Biosciences	US	USD	30.0		30.0	32.6	8.1	32 012	31 109
Amicus	CH	EUR	20.0		20.0	20.0	29.0	22 784	23 514
SAI Life Sciences	IN	INR	256.4		256.4	1 151.4	5.8	15 593	6 019
Jianke Pharmaceutical	CN	USD	0.0	14.9	14.9	14.9	3.4	14 603	0
Westmed Holding	US	USD	7.0		7.0	12.4	23.6	12 207	11 862
Vascular Dynamics	US	USD	10.0	0.9	10.9	10.9	13.8	10 713	9 505
Neurelis	US	USD	8.3	2.5	10.8	10.8	15.0	10 553	7 870
1mg	IN	INR	515.7	144.0	659.7	659.7	10.6	8 934	7 543
FarmaLatam	PA	USD	7.7		7.7	7.7	77.4	7 532	7 320
ConnectRN	US	USD	1.5	2.5	4.0	6.6	18.1	6 489	1 431
Cardialen	US	USD	0.0	5.0	5.0	5.0	17.8	4 908	0
Galera Therapeutics	US	USD	0.0	5.0	5.0	5.0	2.0	4 908	0
Forbius (Formation Biologics)	CA	CAD	6.5		6.5	6.5	10.0	4 906	4 771
Valcare	US	USD	3.5	0.8	4.3	4.3	7.4	4 198	3 339
Sublimity Therapeutics	IE	EUR	0.0	3.5	3.5	3.5	7.1	4 040	0
Corvidia Therapeutics	US	USD	0.0	4.0	4.0	4.0	3.0	3 927	0
Vitaeris	CA	USD	3.0		3.0	4.0	18.9	3 927	3 816
Cure Everlife Holdings	MU	USD	0.0	3.0	3.0	3.0		2 945	0
Everest Medicines	CN	USD	0.0	3.0	3.0	3.0	1.0	2 945	0
Shape Memory Medical	US	USD	3.0		3.0	3.0	10.9	2 945	2 862
Shriji Polymers	IN	INR	201.0		201.0	216.2	2.8	2 928	3 163
Complexa	US	USD	2.9		2.9	2.9	4.1	2 852	2 771
BaseHealth	US	USD	2.5		2.5	2.5	6.3	2 454	2 385
Amphora Medical	US	USD	2.2		2.2	2.2	5.5	2 134	2 074
Nuance Biotech	CN	USD	0.0	2.0	2.0	2.0	2.1	1 963	0
iTeos Therapeutics	BE	EUR	0.0	1.6	1.6	1.6	1.8	1 837	0
Iconic Therapeutics <sup>1)</sup>	US	USD	7.5		7.5	0.0	7.1	0	1 789
TandemLife (Cardiac Assist) <sup>2)</sup>	US	USD	4.4	-4.4	0.0	0.0	0.0	0	31 148
Others								8 592	8 405
<b>Total private companies</b>								<b>293 655</b>	<b>259 988</b>

1) This investment was fully written off during the reporting period.

2) The company was acquired during the last financial year. The transaction was completed in the current reporting period on 4 April 2018.

Funds	Investment currency	Total commitment	Payments in reporting period	Repayments in reporting period	Cumulative payments 30.9.2018	Cumulative repayments 30.9.2018	Fair value 30.9.2018	Fair value 30.9.2018	Fair value 31.3.2018
	IC	IC million	IC million	IC million	IC million	IC million	IC million	CHF 000	CHF 000
HBM BioCapital II <sup>1)</sup>	EUR	42.0			37.0	3.7	28.5	32 499	30 585
WuXi Healthcare Ventures II	USD	20.0	2.8		15.8	0.6	20.0	19 660	12 974
MedFocus Fund II	USD	16.0			16.0	15.0	18.8	18 505	17 971
6 Dimensions Capital	USD	25.0	3.2		16.2	0.0	15.8	15 491	12 243
Hatteras Venture Partners III	USD	10.0			10.0	2.0	9.4	9 191	8 250
HBM Genomics	USD	15.0	0.9		9.8	0.0	9.3	9 119	8 137
Tata Capital HBM Fund I	USD	10.0	0.2	4.2	9.3	4.7	8.0	7 900	9 094
BioMedInvest II	CHF	10.0		1.2	10.0	3.0	7.3	7 340	8 840
BioMedInvest I	CHF	26.0		1.0	26.0	25.6	5.3	5 252	6 994
Galen Partners V	USD	10.0	0.1	1.2	10.4	8.8	5.3	5 248	5 168
Nordic Biotech	DKK	31.0			31.0	221.7	19.8	3 007	2 781
BioVeda China IV	USD	5.0	1.4		1.4	0.0	1.4	1 339	0
C-Bridge Capital IV	USD	10.0	0.9	0.1	0.9	0.1	0.7	707	0
Others								2 506	2 542
<b>Total funds</b>								<b>137 764</b>	<b>125 579</b>

1) The fair value of EUR 28.5 million takes into account the fund's cumulative management fees of EUR 5.0 million. This amount has been reimbursed in full to HBM Healthcare so that fees are not levied twice.

Public companies	Investment currency	Balance	Changes	Changes	Balance	Share price	Ownership	Fair value	Fair value
		31.3.2018	6 months	3 months	30.9.2018	30.9.2018	30.9.2018	30.9.2018	31.3.2018
	IC	Number of shares	Number of shares	Number of shares	Number of shares	IC	%	CHF 000	CHF 000
Y-mAbs Therapeutics <sup>1)P)</sup>	USD	2 486 095	590 000	590 000	3 076 095	26.56	9.0	80 206	22 176
Pacira Pharmaceuticals <sup>P)</sup>	USD	1 100 000			1 100 000	49.15	2.7	53 076	32 689
Vectura Group	GBP	63 002 869	-11 107 279	-1 104 410	51 895 590	0.80	7.8	52 977	65 410
Principia Biopharma <sup>1)P)</sup>	USD	0	1 258 923	1 258 923	1 258 923	29.22	5.3	36 113	0
Galapagos	EUR	300 000	10 077	10 077	310 077	97.42	0.6	34 412	28 676
ObsEva (ADS) <sup>P)</sup>	USD	2 313 330	-888 932	-738 747	1 424 398	18.03	3.1	25 212	29 782
Immunomedics	USD	1 400 000	-201 986	-195 386	1 198 014	20.83	0.6	24 498	19 513
Zogenix	USD	400 000	102 210	46 954	502 210	49.60	1.2	24 454	15 283
AnaptysBio <sup>P)</sup>	USD	200 000	30 000	-33 700	230 000	99.77	0.9	22 527	19 858
Aptinyx <sup>1)P)</sup>	USD	790 873		-127 500	790 873	28.96	2.4	22 485	6 201
Esperion Therapeutics	USD	400 000	72 257	-97 478	472 257	44.37	1.8	20 571	27 601
Celgene	USD	227 000			227 000	89.49	0.0	19 942	19 319
Ascendis Pharma	USD	400 000	-119 261	-78 705	280 739	70.86	0.7	19 529	24 957
Genmab	DKK	140 000	-15 000	-40 000	125 000	1 010.00	0.2	19 288	28 662
Ultragenyx Pharmaceutical	USD	500 000	-254 499	-228 799	245 501	76.34	0.5	18 399	24 322
Biogen	USD	0	52 500	52 500	52 500	353.31	0.0	18 209	0
RA Pharmaceuticals	USD	750 000	272 583	79 943	1 022 583	18.09	3.2	18 160	3 799
Neurocrine Biosciences	USD	209 000	-64 500	-5 000	144 500	122.95	0.2	17 441	16 535
Argenx (ADS)	USD	250 542	-30 542	10 843	220 000	75.84	0.6	16 379	19 227
Argenx	EUR	250 000	-60 000	-58 205	190 000	65.10	0.5	14 090	19 164
Alnylam Pharmaceuticals	USD	0	187 813	56 109	187 813	87.52	0.2	16 137	0
Retrophin	USD	433 952	116 197	89 069	550 149	28.73	1.4	15 517	9 257
Bioarctic	SEK	2 271 809	-1 163 911	-816 390	1 107 898	118.90	1.5	14 547	5 560
Acadia Pharmaceuticals	USD	700 000			700 000	20.76	0.6	14 266	15 005
Amicus Therapeutics	USD	844 784	214 277	134 061	1 059 061	12.09	0.6	12 570	12 121
Nicox	EUR	1 673 304			1 673 304	6.42	5.6	12 228	17 844
Homology Medicines <sup>P)</sup>	USD	902 794	-375 000		527 794	22.86	1.4	11 845	16 106
Arena Pharmaceuticals	USD	250 000			250 000	46.02	0.5	11 294	9 421
Divis Laboratories	INR	608 000	-37 300	-67 700	570 700	1 310.90	0.2	10 132	9 695
Idorsia	CHF	0	400 000	400 000	400 000	24.72	0.3	9 888	0
Coherus Biosciences	USD	577 442			577 442	16.50	0.9	9 353	6 087
Puma Biotechnology	USD	150 000	55 151		205 151	45.85	0.5	9 234	9 738
Beigene	HKD	0	700 000	700 000	700 000	104.70	0.1	9 191	0
Beigene (ADR)	USD	0	30 000	30 000	30 000	172.22	0.1	5 072	0
Tesaro	USD	250 000	-20 000	-20 000	230 000	39.01	0.4	8 808	13 628
Spring Bank Pharmaceuticals	USD	258 736	400 000	400 000	658 736	12.05	4.1	7 793	3 796
Assembly Biosciences	USD	0	200 727	50 000	200 727	37.14	0.8	7 319	0
Albireo Pharma	USD	200 000	25 888	25 888	225 888	32.96	1.9	7 309	6 214
Paratek Pharmaceuticals <sup>P)</sup>	USD	895 000	-142 861	-142 861	752 139	9.70	2.4	7 162	11 100
Uniqure	USD	0	200 000	31 841	200 000	36.39	0.5	7 145	0
Xenon Pharmaceuticals	USD	0	521 789	521 789	521 789	13.20	2.2	6 762	0
Nabryva Therapeutics <sup>P)</sup>	USD	2 334 007	-100 000	-100 000	2 234 007	2.70	3.4	5 921	11 200
Eiger BioPharmaceuticals <sup>P)</sup>	USD	580 000	-77 494		502 506	12.00	3.5	5 920	5 450
Incyte	USD	250 000	-170 800	-170 800	79 200	69.08	0.0	5 371	19 874

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**Continued from page 15**  
**Public companies**

	Investment currency	Balance 31.3.2018	Changes 6 months	Changes 3 months	Balance 30.9.2018	Share price 30.9.2018	Ownership 30.9.2018	Fair value 30.9.2018	Fair value 31.3.2018
	IC	Number of shares	Number of shares	Number of shares	Number of shares	IC	%	CHF 000	CHF 000
Clovis	USD	230 105	-50 105	-5 482	180 000	29.37	0.3	5 190	11 591
Rubius Therapeutics	USD	0	212 692	212 692	212 692	24.00	0.3	5 011	0
Reata Pharmaceuticals	USD	0	60 417	60 417	60 417	81.76	0.3	4 849	0
Dynavax Technologies	USD	0	375 000		375 000	12.40	0.6	4 565	0
Jubilant Life Sciences	INR	0	459 406		459 406	732.70	0.3	4 559	0
Sesen Bio	USD	0	2 065 367	225 344	2 065 367	2.15	2.7	4 359	0
La Jolla Pharmaceutical	USD	355 000	-155 000		200 000	20.13	0.8	3 952	10 086
Audentes Therapeutics	USD	0	100 000	100 000	100 000	39.59	0.3	3 887	0
Novan	USD	1 294 400			1 294 400	2.79	5.0	3 545	3 618
Alimera Sciences	USD	3 500 000			3 500 000	0.98	5.0	3 368	3 439
ARMO BioSciences <sup>2)P)</sup>	USD	1 591 540	-1 591 540		0	n/a	0.0	0	56 801
AveXis <sup>2)</sup>	USD	100 000	-100 000		0	n/a	0.0	0	11 790
Others								15 746	75 742
<b>Total public companies</b>								<b>847 783</b>	<b>778 337</b>
<b>Total investments</b>								<b>1 279 202</b>	<b>1 163 904</b>

P) The position originates from the private companies portfolio.

1) The companies went public on NASDAQ in June and September 2018 respectively. The investments were listed under private companies in previous reports.

2) The companies were acquired during the reporting period. HBM Healthcare sold all of their shares.



### 3.2 Financial instruments

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

<b>Holdings of financial instruments (CHF 000)</b>	<b>30.9.2018</b>	<b>31.3.2018</b>
<b>Other financial instruments</b>		
Purchased call and put options	2 319	3 121
<b>Total long financial instruments</b>	<b>2 319</b>	<b>3 121</b>
<b>Market hedging</b>		
Sale of ETFs	146 595	140 532
<b>Other financial instruments</b>		
Sale of shares	0	7 096
<b>Total short financial instruments</b>	<b>146 595</b>	<b>147 628</b>

As at the balance sheet date, a partial hedge of the general market risk derived from public investments was in place. Worth CHF 146.6 million, it consisted of the short sale of 1.6 million units of the SPDR S&P Biotech ETF (Exchange Traded Fund).

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

<b>Income from financial instruments (CHF 000)</b>	<b>6-month period ended 30.9.2018</b>	<b>6-month period ended 30.9.2017</b>
Gains from other financial instruments	2 577	4 679
<b>Total gains from financial instruments</b>	<b>2 577</b>	<b>4 679</b>
Losses from currency hedging transactions	0	-1 973
Losses from market hedging transactions	-15 203	-29 138
Losses from other financial instruments	-24	0
<b>Total losses from financial instruments</b>	<b>-15 227</b>	<b>-31 111</b>
<b>Net result from financial instruments</b>	<b>-12 650</b>	<b>-26 432</b>

### 3.3 Other financial assets

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

Of the total book value as at 30 September 2018, CHF 31.8 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 3.0 million are reported under "Investments - Other private companies" (claims from investments held indirectly via HBM BioCapital I).

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

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

Balance sheet value and potential cash flows (CHF million)	Book value 30.9.2018	Cash flows minimum	Cash flows maximum	Expected period of payment
mtm laboratories	14.5	0.9	26.2	2019
TandemLife (Cardiac Assist)	8.2	4.6	11.7	2019–2021
Nereus <sup>1)</sup>	6.2	0.0	20.3	2018–2025
True North Therapeutics	5.6	1.3	13.1	2018–2020
Interventional Spine	0.3	0.0	4.1	2018–2019
Tripex (former Mpex) <sup>2)</sup>	0.0	0.0	8.7	from 2018 onwards
<b>Total</b>	<b>34.8</b>	<b>6.8</b>	<b>&gt;84.1</b>	

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

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

### 3.4 Management fee and performance fee

The management fee due to HBM Partners amounts to 0.75 percent per year of the Company's assets plus 0.75 percent per year of its market capitalisation, payable quarterly at the beginning of a quarter. In the 6-month period up to the end of September 2018, HBM Partners was paid CHF 8.3 million (previous year: CHF 6.9 million).

A provision for a performance fee of CHF 28.2 million was made during the reporting period

(previous year: none) because net assets as at the balance sheet date exceeded the highest net assets (high water mark) used as the calculation basis for the last performance fee payment. The high water mark for all outstanding shares is CHF 161.87 (adjusted for any dividends and capital repayments to shareholders). The cut-off date for the payment of any performance fee is 31 March of a financial year.

### 3.5 Off-balance-sheet commitments

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

Investment commitments (CHF 000)	30.9.2018	31.3.2018
HBM BioCapital I+II	5 952	6 143
Other funds	31 404	30 050
Private companies	35 267	9 946
<b>Total investment commitments</b>	<b>72 623</b>	<b>46 139</b>

### 4. Non-current financial liabilities

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

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

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

## 5. Shareholders' equity

### 5.1 Share capital and capital reserve

As at the balance sheet date, the Company's share capital stood at CHF 396.72 million, divided into 6960000 registered shares at a par value of CHF 57.00 each. At the Shareholders' Meeting

of 25 June 2018, the decision was made to cancel 80000 treasury shares. The capital reduction was entered in the Commercial Register of the Canton of Zug on 10 September 2018.

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

### 5.2 Treasury shares

The Shareholders' Meeting of 24 June 2016 authorised the Board of Directors to repurchase a maximum of 730000 of the Company's own shares via a second trading line. The aim of this share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 23 June 2019 ("2016 share buy-back programme"). The programme started on 6 October 2016. Under this share buy-back programme a total of 243910 of the Company's own shares have been repurchased up to the balance sheet date.

The Company holds 2910 of its own shares (as at 31 March 2018: 82910) as at the balance sheet date. In the 6-month period, none of the Company's own shares were acquired (previous year: 67600 at CHF 114.13).

#### Holdings from second trading line (number of own shares)

<b>Beginning of period 1 April 2018</b>	<b>82 910</b>
Acquired via second trading line under share buy-back programme	0
Capital reduction owing to cancellation of own shares	-80 000
<b>End of period 30 September 2018</b>	<b>2 910</b>

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd holds 59 034 treasury shares (as at 31 March 2018: 51 411), acquired via the regular trading line. During the 6-month period, the Subsidiary acquired a total of 137 737 treasury shares via the regular trading line at an average price of CHF 160.00 per share (previous year: 284 903 at CHF 114.58) and sold 130 114 treasury shares at an average price of CHF 164.19 (previous year: 308 062 at CHF 114.44).

## **6. Transactions with related parties**

HBM Healthcare holds an investment in the Hatteras Venture Partners III fund, where Board member Robert A. Ingram serves as General Partner. For details on the investment commitment, paid-in capital and valuation of this investment, please refer to the overview of funds on page 14.

# hbmhealthcare.com

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ISIN

# HBMN

SIX Swiss Exchange Ticker

## Significant shareholders

Based on the notifications received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 30 September 2018:

## Shareholding

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

Management fee (paid quarterly):  
0.75% of Company assets plus  
0.75% of the Company's market capitalisation  
Performance fee (paid annually):  
15% on increase in value above the high water mark  
High water mark (per share for all outstanding  
shares) for financial year 2018/2019:  
NAV of CHF 161.87

## Board of Directors and Management

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

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

## Investment Advisor

HBM Partners Ltd, Zug	<a href="http://www.hbmpartners.com">www.hbmpartners.com</a>
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**Credits**

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