



Half-Year Report

**September**

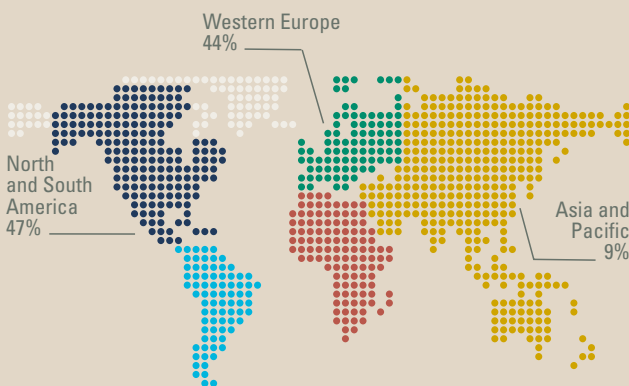
**2017**

**HBM** Healthcare  
Investments

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

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

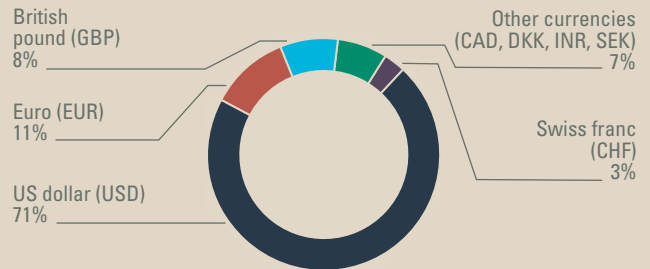
**Investments by continents<sup>3)</sup>**



1) Total assets as at 30.9.2017: CHF 1 162 million.

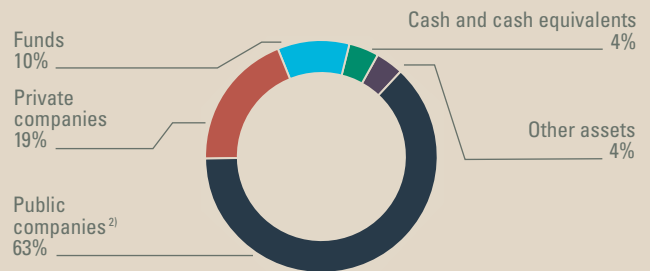
**Currency allocation of assets<sup>1)</sup>**

Emphasis on US dollar investments.



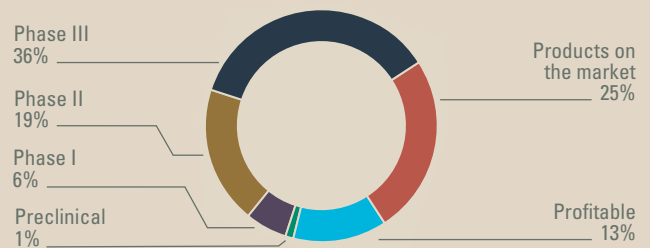
**Allocation of assets<sup>1)</sup>**

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



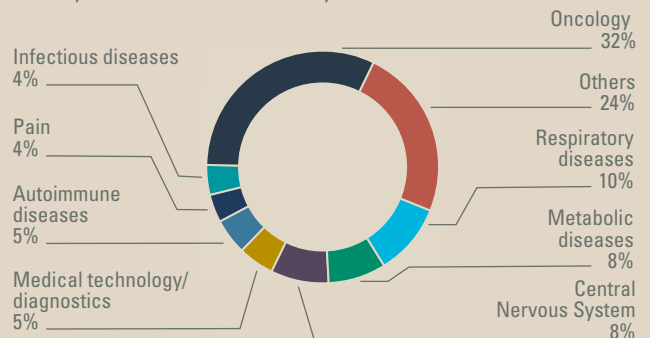
**Development phase of portfolio companies<sup>3)</sup>**

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.



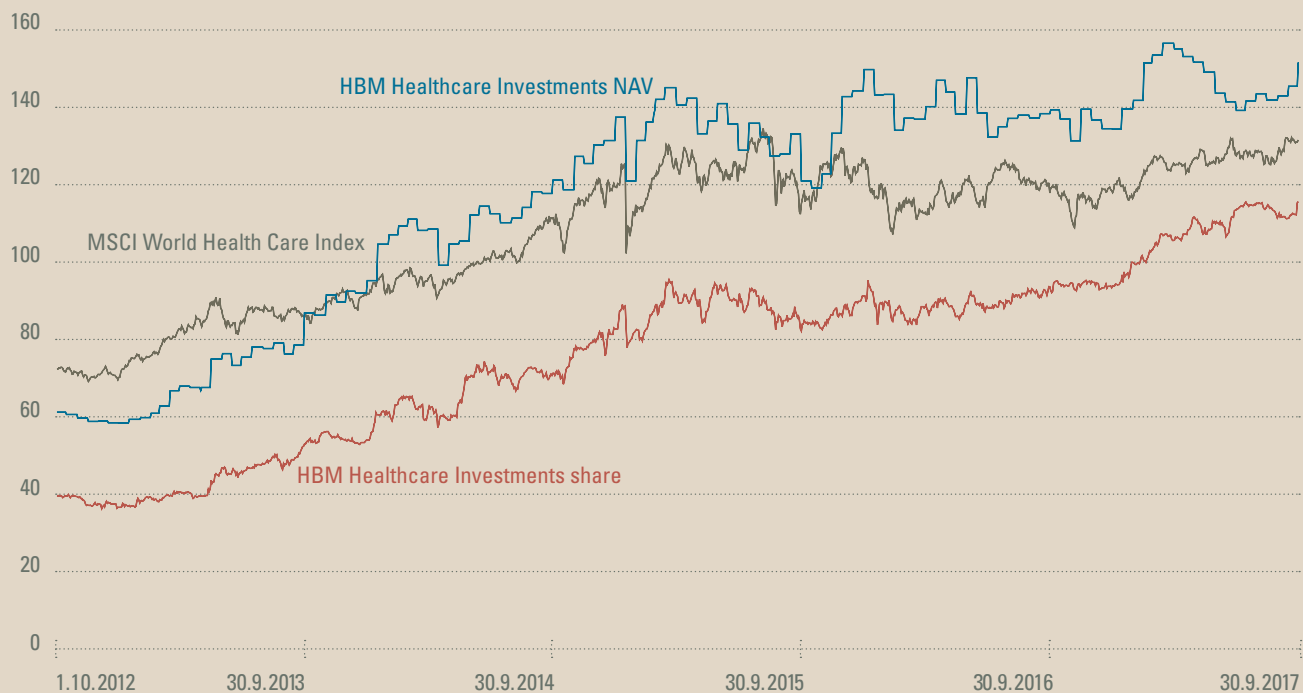
2) Thereof about a fifth is hedged.

3) Total investments as at 30.9.2017: CHF 1 064 million.

<b>Key Figures</b>		30.9.2017	31.3.2017	restated 31.3.2016	restated 31.3.2015	31.3.2014
<b>Net assets</b>	CHF million	<b>1 060.9</b>	<b>1 095.8</b>	<b>1 034.8</b>	<b>1 086.6</b>	<b>920.3</b>
Investments in private companies and funds		330.0	274.3	299.5	273.4	218.8
Investments in public companies		733.8	813.6	677.0	748.1	630.5
Cash and cash equivalents		216.0	210.0	104.8	140.4	46.5
<b>Net result for the period</b>	CHF million	<b>13.6</b>	<b>136.8</b>	<b>23.8</b>	<b>257.5</b>	<b>353.5</b>
Basic earnings per share	CHF	1.93	18.96	3.11	32.47	40.98
Net asset value (NAV) per share	CHF	151.60	155.09	139.41	140.12	108.76
Share price	CHF	115.80	111.40	99.45	108.00	75.50
<b>Discount</b>	%	<b>-23.6</b>	<b>-28.2</b>	<b>-28.7</b>	<b>-22.9</b>	<b>-30.6</b>
Distribution per share	CHF		5.80	5.50	5.50	3.00
Distribution yield	%		5.2	5.1	5.1	4.0
Shares issued	Registered shares (m)	7.0	7.3	7.7	8.0	8.9
Shares outstanding	Registered shares (m)	7.0	7.1	7.4	7.8	8.5

<b>Performance (including distributions)</b>		2017/2018 (6 months)	2016/2017	2015/2016	2014/2015	2013/2014
Net asset value (NAV)	%	1.5	15.2	3.4	31.6	61.3
Registered share HBMN	%	9.2	17.5	-2.8	47.0	50.0

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



A strong second quarter took HBM Healthcare Investments' profit to CHF 13.6 million for the first half of the 2017/2018 financial year. The share price rose considerably more (+9.2%) than the net asset value (+1.5%) during the first six months, thereby reducing the discount. Cash distributions from funds and profit-taking on public holdings were used to fund eight new investments in private companies, totalling CHF 65 million. This increased the proportion of direct investments in this segment from 10 to 19 percent of assets. The partial hedge of the public portfolio remains in place.

#### Dear Shareholders

In the first six months of the 2017/2018 financial year, HBM Healthcare Investments earned a profit totalling CHF 13.6 million. This positive half-year result is the product of a strong second quarter, when the Company earned a profit of CHF 85.6 million, thus more than making up for the decline in the first quarter. As a result, net asset value (NAV) rose by 8.9 percent between 1 July and 30 September, which meant an advance of 1.5 percent for the first half overall. After progressing by 1.8 percent during the second quarter, the share price gained a total of 9.2 percent over the first six months of the financial year.

The most significant factor in the upbeat result for the quarter was public portfolio company Advanced Accelerator Applications (AAA). As its share price surged by 73 percent, this largest holding in the HBM Healthcare Investments portfolio contributed CHF 77.2 million to profits. AAA was granted EU approval for Lutathera<sup>®</sup>, for the treatment of neuroendocrine tumours, at the end of September. A decision on approval for the USA will be made at the end of January 2018. In view of the sharp increase in value, we sold around 20 percent of our shareholding via the market during the second quarter. As at the end of September 2017, the Company's stake in AAA accounted for 14.8 percent of net assets.

There was also good news from Nabriva Therapeutics: its first phase III trial of intravenous administration of the lefamulin compound to treat community-acquired pneumonia achieved its primary endpoint. Data from the second phase III study, involving the oral administration of the compound, are expected in the spring of 2018.

The fund portfolio produced a net cash inflow of CHF 41 million during the quarter just ended, CHF 32.2 million of which came from Nordic Biotech as it distributed the proceeds of the capital repayment by Forward Pharma. There were further distributions from Galen Partners (CHF 3.7m), BioMedInvest (CHF 3.1m) and BioVeda China (CHF 3.1m).

### **Eight new investments in private companies**

There were no fewer than eight new additions to the portfolio of private companies in the second quarter of the financial year. HBM Healthcare Investments invested a total of CHF 65 million, most of which went to two mature companies with a comparably low level of clinical development risk. US-based Harmony Biosciences received USD 30 million, while the US/Danish company Y-mAbs received USD 20 million.

Harmony Biosciences purchased the US rights to the pitolisant compound from French company Bioprojet. Pitolisant is sold under the trade name Wakix<sup>®</sup>, and is approved in the EU to treat narcolepsy in adults. Harmony intends to continue developing the drug in the USA with a view to its registration and marketing. Y-mAbs develops new immunotherapies to treat cancer in children. In early April 2017, the company published the positive results of a pivotal study of its burtomab compound.

HBM Healthcare Investments also acquired minor holdings in a further six early-stage companies. Amphora Medical develops medical devices for the treatment of overactive bladder. An initial tranche of USD 2.2 million of a total commitment of USD 7.5 million has already been paid in. Shape Memory Medical is developing an implant to treat vascular and neuro-vascular embolisation. Half of the agreed USD 6 million has been paid in to date. Complexa is conducting clinical phase II studies on the treatment of fibrosis and rare inflammatory diseases. Here, too, half of the total investment of USD 6 million has been paid in so far. Homology Medicines, which is developing a gene therapy platform, benefited from USD 4 million in capital from HBM Healthcare Investments, while Valcare Medical and BaseHealth each received USD 2.5 million. Valcare is developing medical devices for mitral valve replacements, while BaseHealth is working on data analysis solutions to optimise cost and risk in the healthcare system.

A further CHF 7 million was invested in existing portfolio companies in the context of follow-on financing rounds. The acquisition by Bioerativ of True North Therapeutics, announced in May, was completed during the quarter just ended.

### **Portfolio rebalancing and partial hedge**

The 12 new investments in private companies that were made in the first half of the financial year, as well as the capital repayments from investment funds, resulted in a shift in HBM Healthcare Investments' asset allocation. The proportion of direct investments in private companies rose from 10 to 19 percent of assets, while the share accounted for by investment funds contracted from 13 to 10 percent. Profit-taking resulted in a modest reduction in the share of public companies, from 67 to 63 percent.

HBM Healthcare Investments is targeting a further increase in the allocation of private companies and funds over the coming 12 to 24 months, by means of new investments and follow-on financing rounds. With this in mind, in addition to the general rise in stock exchange valuations, the monetary policy reversal that has been initiated in the USA, and the Fed's efforts to trim its balance sheet, we believe it appropriate to continue hedging around a fifth of the exposure of our public companies portfolio.

## Outlook

We do not believe that the run on the equity markets will maintain its current momentum. Our portfolio is well prepared for this type of market environment, however. Taking the market hedge into account, it comprises approximately 50 percent public companies, and 50 percent soundly financed private companies, investment funds, claims to milestone payments, and cash and cash equivalents.

Where our two major holdings are concerned, we expect Advanced Accelerator Applications to be awarded the aforementioned US approval for the Lutathera® cancer compound, and Vectura to release information on the next steps in securing approval for the generic version of Advair in the USA. Furthermore, a number of private and public companies will present the results of ongoing clinical trials, which will gradually validate and consolidate the intrinsic value and potential of these companies.

Our portfolio companies are on a sound financial footing, supported by experienced and financially strong investor syndicates. Their current development programmes or commercial activities also put them in a good position fundamentally. This means that, sooner or later, they will become attractive takeover targets for strategic partners, or candidates for an IPO – a move which typically releases many years of accumulated added value.



Dr Andreas Wicki  
CEO



Erwin Troxler  
CFO

Balance sheet (CHF 000)	Notes	30.9.2017	31.3.2017
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		5 559	6 115
Receivables		93	51
<b>Total current assets</b>		<b>5 652</b>	<b>6 166</b>
<b>Non-current assets</b>			
Investment in subsidiary	(3)	1 208 442	1 192 834
<b>Total non-current assets</b>		<b>1 208 442</b>	<b>1 192 834</b>
<b>Total assets</b>		<b>1 214 094</b>	<b>1 199 000</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Liability to subsidiary		53 000	0
Liability from performance fee		0	1 413
Other liabilities		1 080	2 754
<b>Total current liabilities</b>		<b>54 080</b>	<b>4 167</b>
<b>Non-current liabilities</b>			
Financial liabilities	(4)	99 154	99 072
<b>Total non-current liabilities</b>		<b>99 154</b>	<b>99 072</b>
<b>Shareholders' equity</b>			
Share capital	(5.1)	411 840	427 050
Treasury shares	(5.2)	-4 809	-23 563
Capital reserve	(5.1)	185 318	237 362
Retained earnings		468 511	454 912
<b>Total shareholders' equity</b>		<b>1 060 860</b>	<b>1 095 761</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 214 094</b>	<b>1 199 000</b>
Number of outstanding shares (in 000)		6 998	7 066
Net asset value (NAV) per share (CHF)		151.60	155.09

<b>Statement of comprehensive income for the period 1 April to 30 September (CHF 000)</b>	Notes	Quarter ended 30.9.2017	restated Quarter ended 30.9.2016	6-month period ended 30.9.2017	restated 6-month period ended 30.9.2016
Net change in value of investment in subsidiary	(3)	86 620	48 885	15 608	26 840
<b>Result from investment activities</b>		<b>86 620</b>	<b>48 885</b>	<b>15 608</b>	<b>26 840</b>
Personnel expenses		– 230	– 212	– 403	– 411
Other operating expenses		– 222	– 254	– 392	– 381
<b>Result before interest and taxes</b>		<b>86 168</b>	<b>48 419</b>	<b>14 813</b>	<b>26 048</b>
Financial expenses	(4)	– 590	– 609	– 1 214	– 1 217
Income taxes		0	0	0	0
<b>Net result for the period</b>		<b>85 578</b>	<b>47 810</b>	<b>13 599</b>	<b>24 831</b>
<b>Comprehensive result</b>		<b>85 578</b>	<b>47 810</b>	<b>13 599</b>	<b>24 831</b>
Number of outstanding shares, time-weighted (in 000)		7 018	7 241	7 031	7 290
Basic earnings per share (CHF)		12.19	6.60	1.93	3.41

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 30.9.2017	restated 6-month period ended 30.9.2016
<b>Statement of cash flows for the period 1 April to 30 September (CHF 000)</b>		
Other expenses paid (personnel and other operating expenses)	-2 647	-1 213
<b>Net cash flow from operating activities</b>	<b>-2 647</b>	<b>-1 213</b>
Interest payments paid	-2 257	-2 260
Loan from subsidiary	53 000	70 000
Cash distribution from capital reserve	-40 783	-40 040
Purchase of treasury shares	-7 868	-22 603
<b>Net cash flow from financing activities</b>	<b>2 092</b>	<b>5 097</b>
<b>Currency translation differences</b>	<b>-1</b>	<b>0</b>
<b>Net change in cash and cash equivalents</b>	<b>-556</b>	<b>3 884</b>
Cash and cash equivalents at beginning of period	6 115	6 606
Cash and cash equivalents at end of period	5 559	10 490

<b>Statement of changes in equity (CHF 000)</b>	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
<b>Balance 31 March 2016 (restated)</b>	<b>450 450</b>	<b>-27 298</b>	<b>293 535</b>	<b>318 140</b>	<b>1 034 827</b>
Comprehensive result				24 831	24 831
Purchase of treasury shares		-21 861			-21 861
Distribution from capital reserve (30.6.2016)			-40 040		-40 040
Capital reduction (2.9.2016)	-23 400	39 533	-16 133		
<b>Balance 30 September 2016 (restated)</b>	<b>427 050</b>	<b>-9 626</b>	<b>237 362</b>	<b>342 971</b>	<b>997 757</b>
Comprehensive result				111 941	111 941
Purchase of treasury shares		-13 937			-13 937
<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		
<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>

## General Statements

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

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

### 2. Accounting policies

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

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

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

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

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

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

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

Exchange rates (CHF)	30.9.2017	31.3.2017
CAD	0.7764	0.7389
DKK	0.1537	0.1436
EUR	1.1439	1.0680
GBP	1.2973	1.2583
INR	0.0148	0.0155
SEK	0.1188	0.1118
USD	0.9683	1.0026

## Notes to the Balance Sheet and Statement of Income

### 3. Investment in Subsidiary

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

	6-month period ended 30.9.2017	6-month period ended 30.9.2016
<b>Development fair value investment (CHF 000)</b>		
<b>Fair value at the beginning of period</b>	<b>1 192 834</b>	<b>1 130 421</b>
Change in value, gross	15 608	26 840
<b>Fair value at the end of period</b>	<b>1 208 442</b>	<b>1 157 261</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>	30.9.2017	31.3.2017	30.9.2016
Cash and cash equivalents	210 450	203 890	90 599
Receivables	220	363	231
Loan to parent company	53 000	0	70 000
Investments			
Private companies	212 550	122 491	137 617
Funds	117 487	151 762	146 913
Public companies	733 781	813 569	663 724
Shares of parent company	6 547	8 879	14 484
Financial instruments	14 402	9 001	13 300
Other financial assets	28 483	39 002	24 772
<b>Total assets</b>	<b>1 376 920</b>	<b>1 348 957</b>	<b>1 161 640</b>
Financial instruments	-167 734	-132 991	0
Liability from performance fee	0	-22 135	-4 002
Other current liabilities	-744	-997	-377
<b>Total net assets at fair value</b>	<b>1 208 442</b>	<b>1 192 834</b>	<b>1 157 261</b>

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

	6-month period ended 30.9.2017	6-month period ended 30.9.2016
<b>Change in net assets at fair value (CHF 000)</b>		
Net result on investments	53 850	25 348
Dividend income	52	40
Net result from financial instruments	-26 432	4 778
Net result from other financial assets	-4 429	7 342
Net result from shares of parent company	291	422
<b>Result from investing activities</b>	<b>23 332</b>	<b>37 930</b>
Management fee	-6 865	-6 389
Performance fee	0	-4 002
Personnel and other operating expenses	-843	-575
Financial result	-16	-124
<b>Change in value, gross</b>	<b>15 608</b>	<b>26 840</b>
<b>Net change in value of investment</b>	<b>15 608</b>	<b>26 840</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 2017</b>	<b>122 491</b>	<b>151 762</b>	<b>813 569</b>	<b>1 087 822</b>
Purchases	97 721	2 401	148 397	248 519
Sales	-17 489	-45 207	-263 677	-326 373
Realised gains	9 984	33 042	94 323	137 349
Realised losses	-175	-325	-11 190	-11 690
Changes in unrealised gains/losses	18	-24 186	-47 641	-71 809
Net result on investments	9 827	8 531	35 492	53 850
<b>Fair value 30 September 2017</b>	<b>212 550</b>	<b>117 487</b>	<b>733 781</b>	<b>1 063 818</b>

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

Private companies	Domicile	Investment currency	Amount disbursed 31.3.2017	Changes in reporting period	Amount disbursed 30.9.2017	Fair value 30.9.2017	Ownership 30.9.2017	Fair value 30.9.2017	Fair value 31.3.2017
			IC m	IC m	IC m	IC m	%	CHF 000	CHF 000
Cathay Industrial Biotech	CN	USD	28.0		28.0	43.9	9.3	42 460	43 964
Harmony Biosciences	US	USD	0.0	30.0	30.0	30.0	9.4	29 049	0
Y-mAbs Therapeutics	DK	USD	0.0	20.0	20.0	20.0	8.8	19 366	0
Amicus	CH	EUR	0.0	16.0	16.0	16.0	25.4	18 303	0
Westmed Holding	US	USD	7.0		7.0	12.4	22.4	12 040	12 467
ARMO BioSciences	US	USD	10.0	2.0	12.0	12.0	4.0	11 620	10 026
Vascular Dynamics	US	USD	9.0		9.0	9.0	15.8	8 697	9 005
1mg	IN	INR	136.0	265.9	401.9	401.9	9.7	5 961	2 103
FarmaLatam	PA	USD	4.3	1.5	5.8	5.8	64.6	5 589	4 317
Neurelis	US	USD	5.5		5.5	5.5	11.0	5 326	5 514
SAI Life Sciences	IN	INR	256.4		256.4	352.7	6.1	5 232	5 453
Cardiac Assist	US	USD	4.4		4.4	5.3	17.8	5 163	3 145
Formation Biologics	CA	CAD	0.0	5.0	5.0	5.0	10.1	3 882	0
Vitaeris	CA	USD	3.0		3.0	4.0	20.0	3 873	4 010
Homology Medicines	US	USD	0.0	4.0	4.0	4.0	1.9	3 873	0
Iconic Therapeutics	US	USD	7.5		7.5	3.8	7.1	3 631	3 760
Shriji Polymers	IN	INR	0.0	201.0	201.0	201.0	2.8	2 981	0
Shape Memory Medical	US	USD	0.0	3.0	3.0	3.0	10.9	2 905	0
Complexa	US	USD	0.0	2.9	2.9	2.9	4.1	2 813	0
Amphora Medical	US	USD	0.0	2.2	2.2	2.2	5.5	2 105	0
True North Therapeutics <sup>1)</sup>	US	USD	10.0	-10.0	0.0	0.0	0.0	0	10 026
Other								17 681	8 701
<b>Total private companies</b>								<b>212 550</b>	<b>122 491</b>

1) The position was sold during the reporting period.

Funds	Invest- ment currency	Total commitment	Payments in reporting period	Repayments in reporting period	Cumulative payments 30.9.2017	Cumulative repayments 30.9.2017	Fair value 30.9.2017	Fair value 30.9.2017	Fair value 31.3.2017
			IC m	IC m	IC m	IC m	IC m	IC m	CHF 000
HBM BioCapital II <sup>1)</sup>	EUR	42.0	0.9	0.2	32.5	0.2	23.8	27 268	27 383
MedFocus Fund II	USD	16.0			16.0	15.0	18.8	18 199	19 497
WuXi Healthcare Ventures II	USD	20.0		0.2	11.0	0.4	12.3	11 940	11 891
BioMedInvest II	CHF	10.0			10.0	1.8	9.4	9 400	8 360
Hatteras Venture Partners III	USD	10.0			10.0	2.0	9.5	9 210	9 997
Tata Capital HBM Fund I	USD	10.0	0.1		9.0	0.5	8.4	8 118	7 989
Galen Partners V	USD	10.0	0.2	3.8	9.8	5.3	8.2	7 899	9 085
Nordic Biotech	DKK	31.0	0.0	209.9	31.0	221.7	50.0	7 662	31 634
BioMedInvest I	CHF	26.0		3.1	26.0	24.6	7.1	7 124	10 400
HBM Genomics	USD	15.0	1.2		7.4	0.0	7.2	6 940	5 368
BioVeda China	USD	8.5		4.6	8.5	31.8	0.0	0	5 398
Other								3 727	4 760
<b>Total funds</b>								<b>117 487</b>	<b>151 762</b>

1) The fair value of EUR 23.8 million takes into account the fund's cumulative management fees of EUR 4.5 million. This amount has been reimbursed in full to HBM Healthcare so that fees are not levied twice.

Public companies	Investment currency	Balance 31.3.2017	Changes 6 months	Changes 3 months	Balance 30.9.2017	Ownership 30.9.2017	Fair value 30.9.2017	Fair value 31.3.2017
Advanced Accelerator Applications	P1) USD	3 300 000	-900 000	-619 891	2 400 000	7.0	157 143	131 880
Vectura Group	GBP	67 991 719	-1 726 260	141 391	66 265 459	9.8	91 470	130 637
Pacira Pharmaceuticals	P1) USD	1 100 000	0	0	1 100 000	2.7	39 996	50 290
Genmab	DKK	182 800	-22 800	0	160 000	0.3	34 188	35 248
Esperion Therapeutics	USD	634 407	-54 407	-10 759	580 000	2.3	28 148	22 459
Ultragenyx Pharmaceutical	USD	384 257	101 471	13 228	485 728	1.1	25 050	26 113
Tesaro	USD	152 750	47 250	59 900	200 000	0.4	25 002	23 565
Neurocrine Biosciences	USD	529 500	-116 500	-37 000	413 000	0.5	24 506	22 987
AnaptysBio	P1) USD	942 835	-292 835	-292 835	650 000	3.2	21 997	26 232
Eagle Pharmaceuticals	USD	198 279	182 352	138 260	380 631	2.5	21 981	16 488
Paratek Pharmaceuticals	P1) USD	1 200 000	-375 000	-75 000	825 000	3.0	20 051	23 160
Galapagos	EUR	156 000	44 000	36 000	200 000	0.4	19 719	13 591
Nabryva Therapeutics	P1) USD	2 968 980	-634 973	-456 926	2 334 007	6.4	18 510	35 720
ObsEva	P1) USD	2 319 780	0	0	2 319 780	7.8	18 284	24 212
Nicox	EUR	1 184 941	375 059	300 000	1 560 000	5.4	17 087	12 418
Clovis	USD	0	190 000	170 000	190 000	0.4	15 160	0
Avexis	USD	62 000	73 000	0	135 000	0.4	12 645	4 726
Immunomedics	USD	0	924 214	-186	924 214	0.6	12 511	0
Ascendis Pharma	USD	235 000	65 000	-35 000	300 000	0.8	10 530	6 597
Erytech Pharma	EUR	200 000	140 000	0	340 000	2.9	9 039	6 002
Divis Laboratories	INR	608 000	0	0	608 000	0.2	7 718	5 864
Coherus Biosciences	USD	582 442	-5 000	0	577 442	1.0	7 464	12 351
Probiobrug	P1) EUR	497 910	-48 866	-7 371	449 044	5.5	7 143	8 391
Intercept Pharmaceuticals	USD	76 250	48 813	125 063	125 063	0.5	7 029	8 646
Eiger BioPharmaceuticals	P1) USD	603 819	-23 819	-23 819	580 000	6.9	6 178	6 932
Claris Lifesciences	INR	1 076 025	16 333	0	1 092 358	2.0	5 952	5 332
Puma Biotechnology	USD	0	50 000	50 000	50 000	0.1	5 798	0
Antares Pharma	P1) USD	3 740 732	-1 989 222	-888 189	1 751 510	1.1	5 495	10 651
Acadia Pharmaceuticals	USD	144 990	5 010	0	150 000	0.1	5 471	4 998
Argenx	EUR	255 000	-5 000	0	250 000	0.9	5 291	4 507
DBV Technologies	EUR	0	60 000	60 000	60 000	0.2	4 833	0
Alimera Sciences	USD	3 250 000	250 000	250 000	3 500 000	5.1	4 575	4 562
Vicore Pharma	SEK	1 200 000	0	0	1 200 000	7.6	4 421	2 723
RA Pharmaceuticals	USD	255 000	45 000	0	300 000	1.3	4 241	5 443
Laurus Labs	INR	501 698	0	0	501 698	0.5	3 774	4 004
Spring Bank Pharmaceuticals	USD	0	215 363	0	215 363	1.7	3 512	0
Albireo Pharma	USD	0	170 603	-67 616	170 603	1.9	3 461	0
Corium International	USD	118 404	194 653	0	313 057	0.9	3 359	496
Incyte	USD	205 000	-205 000	-180 000	0	0.0	0	27 474
Other							15 049	88 870
<b>Total public companies</b>							<b>733 781</b>	<b>813 569</b>
<b>Total investments</b>							<b>1 063 818</b>	<b>1 087 822</b>

P1) The position originates from the private companies portfolio.

### 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>30.9.2017</b>	<b>31.3.2017</b>
<b>Currency hedging</b>		
Forward contracts for currency hedging purposes	0	157
<b>Other financial instruments</b>		
Call and put options	14 402	8 844
<b>Total long financial instruments</b>	<b>14 402</b>	<b>9 001</b>
<b>Market hedging</b>		
Sale of ETFs	167 734	132 991
<b>Total short financial instruments</b>	<b>167 734</b>	<b>132 991</b>

As at the balance sheet date, a partial hedge of the general market risk derived from public investments was in place. Worth CHF 167.7 million, it consisted of the short sale of 2.0 million units of the SPDR S&P Biotech ETF (Exchange Traded Fund).

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

<b>Income from financial instruments (CHF 000)</b>	<b>6-month period ended 30.9.2017</b>	<b>6-month period ended 30.9.2016</b>
Gains from currency hedging transactions	0	4 367
Gains from other financial instruments	4 679	523
<b>Total gains from financial instruments</b>	<b>4 679</b>	<b>4 890</b>
Losses from currency hedging transactions	-1 973	0
Losses from market hedging transactions	-29 138	0
Losses from other financial instruments	0	-112
<b>Total losses from financial instruments</b>	<b>-31 111</b>	<b>-112</b>
<b>Net result from financial instruments</b>	<b>-26 432</b>	<b>4 778</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 2017, CHF 28.5 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 3.9 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:

<b>Balance sheet value and potential cash flows</b> (CHF million)	<b>Book value 30.9.2017</b>	<b>Cash flows minimum</b>	<b>Cash flows maximum</b>	<b>Expected period of payment</b>
mtm laboratories	13.1	0.9	26.3	2019
Nereus <sup>1)</sup>	7.6	0.0	26.5	2018–2020
True North Therapeutics	6.2	1.2	14.5	2018–2020
Interventional Spine	2.9	2.3	5.5	2017–2019
Kolltan <sup>1)</sup>	1.8	0.0	–	from 2017 onwards
Tripex (former Mpex) <sup>2)</sup>	0.8	0.0	>31.4	from 2018 onwards
<b>Total</b>	<b>32.4</b>	<b>4.4</b>	<b>&gt;104.2</b>	

1) The valuation of these claims is based on the share price of BeyondSpring (at Nereus) and Celldex (at Kolltan), respectively, and thus depends on the share price development. At Nereus, the maximum figure refers to a previous asset sale to Triphase Accelerator.

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 2017, HBM Partners was paid CHF 6.9 million (previous year: CHF 6.4 million).

No provision for a performance fee was made during the reporting period (previous year: 4.0 million) because net assets as at the balance sheet date did not exceed the highest net assets (high water mark) used as the calculation basis for the last performance fee payment. The high water mark for all outstanding shares is CHF 152.62 (adjusted for any dividends and capital repayments to shareholders). The cut-off date for the payment of any performance fee is 31 March of a financial year.



### 3.5 Off-balance-sheet commitments

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

<b>Investment commitments (CHF 000)</b>	<b>30.9.2017</b>	<b>31.3.2017</b>
HBM BioCapital I+II	11 095	11 367
Other funds	17 567	19 596
Private companies	40 204	5 246
<b>Total investment commitments</b>	<b>68 866</b>	<b>36 209</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 411.84 million, divided into 7040000 registered shares at a par value of

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

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

### 5.2 Treasury shares

The Ordinary Shareholders' Meeting of 24 June 2016 authorised the Board of Directors to repurchase a maximum of 730 000 of the Company's own shares via a second trading line. The aim of this share buy-back programme is to cancel the shares as part of a capital reduction. It will be completed no later than 23 June 2019 ("2016 share buy-back programme"). The programme started on 6 October 2016. Under this share buy-back programme a total of 203 100 of the Company's own shares have been repurchased up to the balance sheet date.

The Company holds 42 100 of its own shares (as at 31 March 2017: 234 500) as at the balance sheet date. In the 6-month period of the current financial year, a total of 67 600 of the Company's own shares were acquired at an average price of CHF 114.13 per share (previous year: 222 000 own shares at an average price of CHF 98.48).

#### Holdings from second trading line

(Number of own shares)

<b>Beginning of period 1 April 2017</b>	<b>234 500</b>
Acquired via second trading line under share buy-back programme	67 600
Capital reduction owing to cancellation of own shares	-260 000
<b>End of period 30 September 2017</b>	<b>42 100</b>

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd holds 56540 treasury shares (as at 31 March 2017: 79699), acquired via the regular trading line. During the 6-month period the Subsidiary acquired a total of 284903 treasury shares via the regular trading line at an average price of CHF 114.58 per share (previous year: 186905 shares at CHF 98.19) and sold 308062 treasury shares at an average price of CHF 114.44 (previous year: 188491 shares at CHF 97.34).

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

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

# hbmhealthcare.com

# HBMN

SIX Swiss Exchange Ticker

## Significant shareholders

Based on the notifications received by the Company, the following shareholders reported equity holdings in HBM Healthcare Investments Ltd of three percent or more as at 30 September 2017:

## Shareholding

15–20 %	Nogra Pharma Invest S.à.r.l., Luxembourg
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## Information on shares

Swiss security number	1.262.725
German security number	984345
ISIN	CH 0012627250
CUSIP	H 3553X112
Telekurs	126,126272
SIX Swiss Exchange Ticker	HBMN
Internet	<a href="http://www.hbmhealthcare.com">www.hbmhealthcare.com</a>

## 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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## Fees

Management fee (paid quarterly): 0.75% p.a. of Company assets plus 0.75% p.a. of the Company's market capitalisation
Performance fee (paid annually): 15% on increase in value above the high water mark
High water mark (per share for all outstanding shares): NAV of CHF 152.62

## Credits

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