

Quarterly Report
June **2018**

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

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

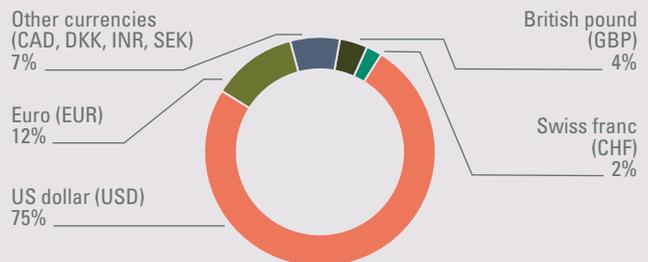
Investments by continents³⁾



1) Total assets (net of liability to Subsidiary) as at 30.6.2018: CHF 1 288 million.

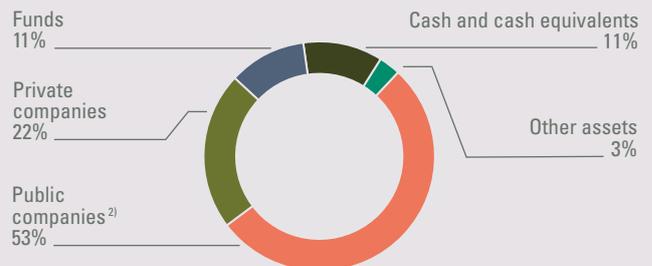
Currency allocation of assets¹⁾

Emphasis on US dollar investments.



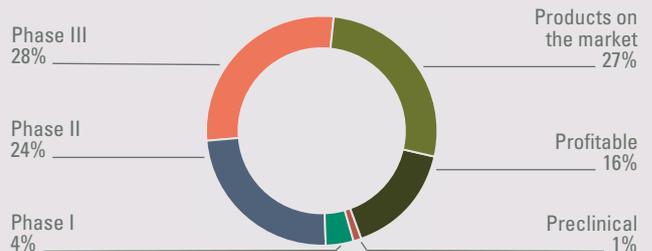
Allocation of assets¹⁾

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



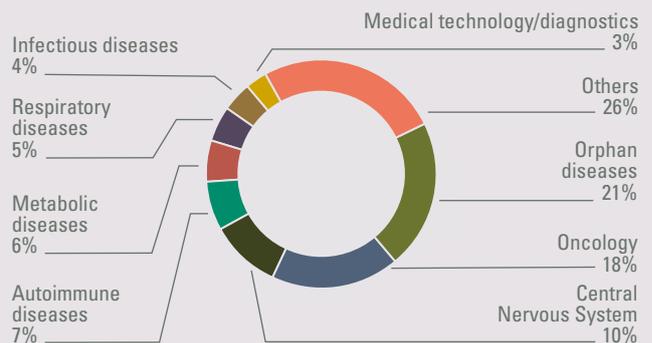
Development phase of portfolio companies³⁾

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



Therapeutic area of the lead product of portfolio companies³⁾

Broadly diversified areas of activity.



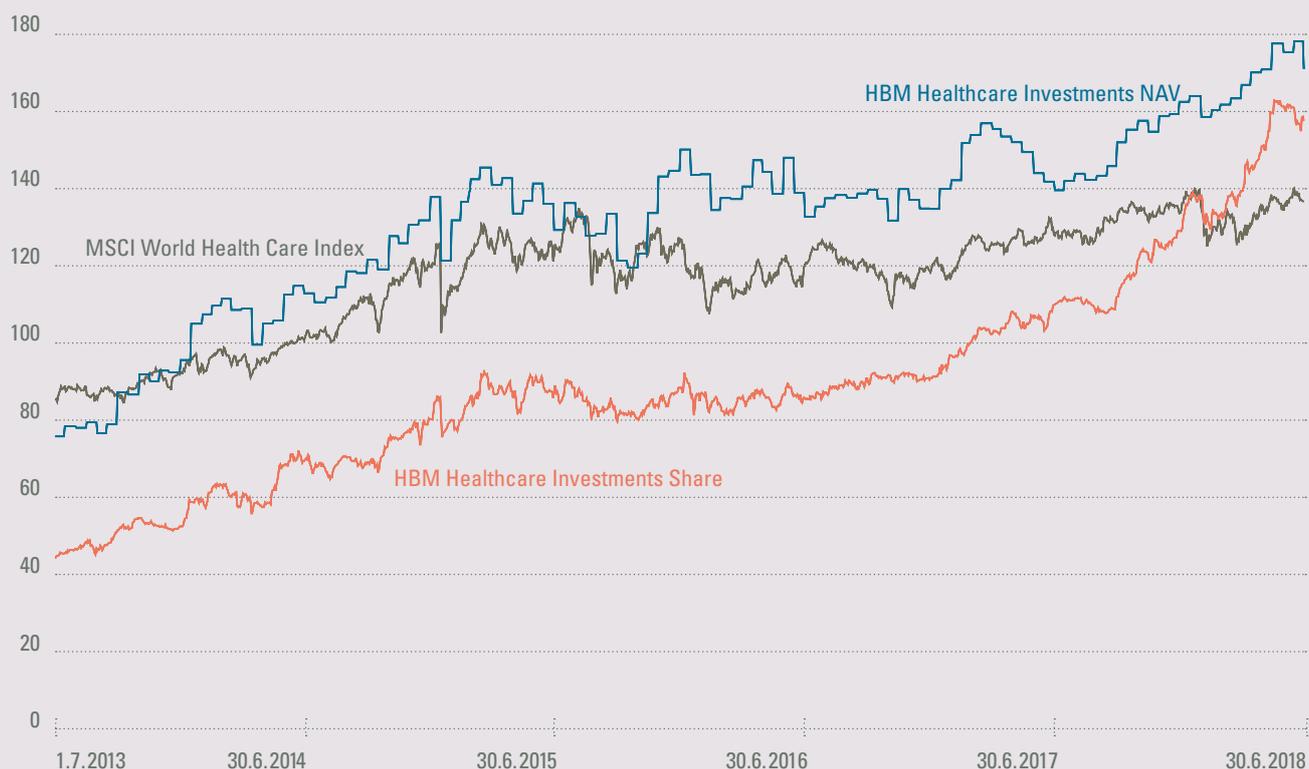
2) About a fifth of this amount is hedged.

3) Total investments as at 30.6.2018: CHF 1 108 million.

Key Figures		30.6.2018	31.3.2018	31.3.2017	restated 31.3.2016	restated 31.3.2015
Net assets	CHF million	1 186.2	1 157.9	1 095.8	1 034.8	1 086.6
Investments in private companies and funds		426.6	413.9	274.3	299.5	273.4
Investments in public companies		681.0	750.0	813.6	677.0	748.1
Cash and cash equivalents		291.0	220.1	210.0	104.8	140.4
Net result for the period	CHF million	66.6	115.9	136.8	23.8	257.5
Basic earnings per share	CHF	9.57	16.55	18.96	3.11	32.47
Net asset value (NAV) per share	CHF	170.50	166.43	155.09	139.41	140.12
Share price	CHF	157.20	144.00	111.40	99.45	108.00
Discount	%	-7.8	-13.5	-28.2	-28.7	-22.9
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

Performance (including distributions)		2018/2019 (3 months)	2017/2018	2016/2017	restated 2015/2016	restated 2014/2015
Net asset value (NAV)	%	5.8	11.1	15.2	3.4	31.6
Registered share HBMN	%	13.0	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)



HBM Healthcare Investments got off to a strong start in the first quarter of the 2018/2019 financial year, generating a profit of CHF 67 million for the first three months to 30 June 2018. Net asset value was up by almost six percent for the same period, and the share price by 13 percent. Both were boosted by two successful acquisitions, one initial public offering and a revaluation in the portfolio, as well as the positive USD/CHF exchange rate trend.

The portfolio remains well diversified and balanced. Thanks to a number of new investments in private companies, this allocation now accounts for 39 percent of net assets, while the proportion of public portfolio companies has fallen slightly to 57 percent (corresponding to 45 percent when the market hedge is taken into account). Management remains confident about prospects for the future.

Dear Shareholders

HBM Healthcare Investments closed the first quarter of the 2018/2019 financial year with a profit of CHF 66.6 million. Net asset value (NAV) per share rose by 5.8 percent to CHF 170.50, while the share price advanced by 13 percent to CHF 157.20.

A number of acquisitions, initial public offerings and financial transactions on the part of portfolio companies contributed to this pleasing profit for the quarter: Eli Lilly took over the public immuno-oncology company ARMO BioSciences (profit contribution for the quarter under review: CHF 22.3 million) for USD 1.6 billion. Prior to and during the IPO, HBM Healthcare Investments invested a total of USD 22 million in ARMO. This investment generated a total profit of USD 57 million.

The quarter also saw AveXis, which operates in the gene therapy field, acquired by Novartis (profit contribution for the quarter under review: CHF 8.5 million). HBM Healthcare Investments had invested a total of USD 14 million in the public company since 2016, and realised an aggregate profit of USD 17 million from its holding.

Meanwhile, private company Aptinyx completed a successful IPO (profit contribution for the quarter under review: CHF 13.8 million). HBM Healthcare Investments took an initial USD 6.5 million stake in Aptinyx in December 2017, and increased its holding by a further USD 2 million as part of the IPO.

The takeover of private company TandemLife (Cardiac Assist) by LivaNova was completed at the beginning of April. HBM Healthcare Investments received about CHF 24 million from the upfront payment.

In addition, the holding in private Indian company Sai Life Sciences performed very successfully (profit contribution for the quarter under review: CHF 10.6 million). A major US private equity investor acquired a significant stake from co-investors and will provide the company with further growth capital. HBM Healthcare Investments did not exercise its right to sell its stake, and will instead participate in the financing for the company. The holding in Sai Life Sciences has therefore been revalued on the basis of the company's value following this transaction.

The 3.8 percent appreciation in the US dollar against the Swiss franc also had a positive effect on results for the quarter.

New investments in private companies

A capital commitment of USD 10 million was made to C-Bridge Capital during the quarter under review. C-Bridge is a private equity investor which specialises in the Chinese healthcare sector. In partnership with C-Bridge, HBM Healthcare Investments has made an initial direct investment of USD 3 million in Everest Medicines. Everest is developing a platform to licence compounds from abroad and distribute them in the Chinese healthcare market.

Additionally, a further four new investments were made in private companies:

- > The Irish company Sublimity Therapeutics will receive a total of EUR 8 million, the first tranche of which – EUR 3.5 million – has already been paid. The company is conducting clinical trials of an oral formulation for a compound to treat patients with ulcerative colitis, a chronic inflammation of the colon.
- > USD 4 million went to Corvidia Therapeutics, a spin-off of AstraZeneca that is based near Boston. Corvidia has an antibody to treat patients with chronic kidney disease in phase II clinical development.
- > An investment commitment totalling EUR 5 million was made to Belgian company iTeos Therapeutics. The first tranche of EUR 1.6 million has been paid to date. iTeos operates in the immuno-oncology field.
- > USD 5 million was invested in holding company Cure Everlife. USD 3 million of the total has been paid to date. Based in Singapore, Everlife is building a distribution platform for medical devices in south-east Asia.

Asset allocation

The new investments increase the share of the portfolio accounted for by private companies (including funds and milestone payments) slightly to 39 percent of net assets. The takeover of ARMO BioSciences meant that the share of net assets accounted for by public companies fell to 57 percent. About a fifth of this share remains hedged, further reducing the general market risk attached to public companies to 45 percent of net assets.

The portfolio thus displays a healthy balance between private and public companies with significant value-creation potential. In addition, HBM Healthcare Investments has sufficient liquidity to make new investments in private companies and to seize opportunities that arise in the public segment.

Outlook

Prospects remain largely unchanged. We expect the portfolio of private companies to generate further value over the next 18 months thanks to IPOs, trade sales and financing rounds. Further attractive new investments in private companies will also be finalised in the near future.

A number of potentially value-generating events – such as clinical study data and approval decisions – are expected for the portfolio of public companies. We expect these to have a positive overall effect on HBM Healthcare Investments' net asset value.

All in all, the portfolio is well positioned in the current market climate in terms of both its mix between private and public companies, and its geographical allocation in the USA, Europe and Asia.



Dr Andreas Wicki
CEO



Erwin Troxler
CFO

Balance sheet (CHF 000)	Notes	30.6.2018	31.3.2018
Assets			
Current assets			
Cash and cash equivalents		6 669	6 522
Receivables		88	37
Total current assets		6 757	6 559
Non-current assets			
Investment in subsidiary	(3)	1 321 443	1 253 924
Total non-current assets		1 321 443	1 253 924
Total assets		1 328 200	1 260 483
Liabilities			
Current liabilities			
Liability to subsidiary		40 000	0
Liability from performance fee		0	1 018
Other liabilities		2 727	2 333
Total current liabilities		42 727	3 351
Non-current liabilities			
Financial liabilities	(4)	99 278	99 236
Total non-current liabilities		99 278	99 236
Shareholders' equity			
Share capital	(5.1)	411 840	411 840
Treasury shares	(5.2)	-10 048	-10 048
Capital reserve	(5.1)	147 054	185 318
Retained earnings		637 349	570 786
Total shareholders' equity		1 186 195	1 157 896
Total liabilities and shareholders' equity		1 328 200	1 260 483
Number of outstanding shares (in 000)		6 957	6 957
Net asset value (NAV) per share (CHF)		170.50	166.43

Statement of comprehensive income for the period 1 April to 30 June (CHF 000)	Notes	Quarter ended 30.6.2018	Quarter ended 30.6.2017
Net change in value of investment in subsidiary	(3)	67 519	-71 012
Result from investment activities		67 519	-71 012
Personnel expenses		-212	-173
Other operating expenses		-139	-170
Result before interest and taxes		67 168	-71 355
Financial expenses	(4)	-605	-624
Financial income		0	0
Income taxes		0	0
Net result for the period		66 563	-71 979
Comprehensive result		66 563	-71 979
Number of outstanding shares, time-weighted (in 000)		6 957	7 045
Basic earnings per share (CHF)		9.57	-10.22

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 period 1 April to 30 June (CHF 000)	Quarter ended 30.6.2018	Quarter ended 30.6.2017
Other expenses paid (personnel and other operating expenses)	-1 590	-2 110
Net cash flow from operating activities	-1 590	-2 110
Interest payments paid	0	-20
Loan from subsidiary	40 000	53 000
Cash distribution from capital reserve	-38 264	-40 783
Purchase of treasury shares	0	-4 223
Net cash flow from financing activities	1 736	7 974
Currency translation differences	1	0
Net change in cash and cash equivalents	147	5 864
Cash and cash equivalents at beginning of period	6 522	6 115
Cash and cash equivalents at end of period	6 669	11 979

Statement of changes in equity (CHF 000)	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
Balance 31 March 2017	427 050	-23 563	237 362	454 912	1 095 761
Comprehensive result				-71 979	-71 979
Purchase of treasury shares		-3 892			-3 892
Distribution from capital reserve (30.6.2017)			-40 783		-40 783
Balance 30 June 2017	427 050	-27 455	196 579	382 933	979 107
Comprehensive result				187 853	187 853
Purchase of treasury shares		-9 064			-9 064
Capital reduction (14.9.2017)	-15 210	26 471	-11 261		0
Balance 31 March 2018	411 840	-10 048	185 318	570 786	1 157 896
Comprehensive result				66 563	66 563
Purchase of treasury shares		0			0
Distribution from capital reserve (29.6.2018)			-38 264		-38 264
Balance 30 June 2018	411 840	-10 048	147 054	637 349	1 186 195

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)	30.6.2018	31.3.2018
CAD	0.7543	0.7395
DKK	0.1553	0.1577
EUR	1.1574	1.1757
GBP	1.3083	1.3370
INR	0.0145	0.0146
SEK	0.1108	0.1144
USD	0.9906	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:

	Quarter ended 30.6.2018	Quarter ended 30.6.2017
Development fair value investment (CHF 000)		
Fair value at the beginning of period	1 253 924	1 192 834
Change in value, gross	67 519	-71 012
Fair value at the end of period	1 321 443	1 121 822

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

	30.6.2018	31.3.2018	30.6.2017
Composition net assets (CHF 000)			
Cash and cash equivalents	284 373	213 551	191 828
Receivables	535	393	380
Loan to parent company	40 000	0	53 000
Investments			
Private companies	288 593	288 365	155 055
Funds	138 054	125 579	146 407
Public companies	681 003	749 960	700 125
Shares of parent company	6 221	7 403	1 567
Financial instruments	1 352	3 121	5 766
Other financial assets	37 620	29 740	26 240
Total assets	1 477 751	1 418 112	1 280 368
Financial instruments	-146 875	-147 628	-157 838
Liability from performance fee	-8 755	-15 942	0
Other current liabilities	-678	-618	-708
Total net assets at fair value	1 321 443	1 253 924	1 121 822

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

	Quarter ended 30.6.2018	Quarter ended 30.6.2017
Change in net assets at fair value (CHF 000)		
Net result on investments	84 414	-48 340
Dividend income	122	9
Net result from financial instruments	-13 196	-15 346
Net result from other financial assets	7 784	-3 536
Net result from shares of parent company	1 456	176
Result from investing activities	80 580	-67 037
Management fee	-4 050	-3 530
Performance fee	-8 755	0
Personnel and other operating expenses	-266	-423
Financial result	10	-22
Change in value, gross	67 519	-71 012
Net change in value of investment	67 519	-71 012

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

3.1 Investments

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

Development of investments (CHF 000)	Private companies	Funds	Public companies	Total investments
Fair value 31 March 2018	288 365	125 579	749 960	1 163 904
Reclassification owing to IPO (Aptinyx)	-6 201	0	6 201	0
Fair value as at 31 March 2018 (after reclassification)	282 164	125 579	756 161	1 163 904
Purchases	23 246	7 536	107 530	138 312
Sales	-35 736	-1 689	-241 555	-278 980
Realised gains	28 110	12	96 765	124 887
Realised losses	-110	-137	-22 375	-22 622
Changes in unrealised gains/losses	-9 081	6 753	-15 523	-17 851
Net result on investments	18 919	6 628	58 867	84 414
Fair value 30 June 2018	288 593	138 054	681 003	1 107 650

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

Private companies	Domicile	Investment currency	Amount disbursed 31.3.2018	Changes in reporting period	Amount disbursed 30.6.2018	Fair value 30.6.2018	Ownership 30.6.2018	Fair value 30.6.2018	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	8.5	90 641	87 292
Harmony Biosciences	US	USD	30.0		30.0	32.6	8.1	32 302	31 109
Amicus	CH	EUR	20.0		20.0	20.0	29.0	23 148	23 514
Y-mAbs Therapeutics	US	USD	23.2		23.2	23.2	8.2	23 026	22 176
Sai Life Sciences	IN	INR	256.4		256.4	1 151.4	6.1	16 658	6 019
Westmed Holding	US	USD	7.0		7.0	12.4	23.6	12 317	11 862
Vascular Dynamics	US	USD	10.0		10.0	10.0	13.8	9 870	9 505
Neurelis	US	USD	8.3		8.3	8.2	15.0	8 172	7 870
FarmaLatam	PA	USD	7.7		7.7	7.7	77.4	7 600	7 320
1mg	IN	INR	515.7		515.7	515.7	10.6	7 461	7 543
ConnectRN	US	USD	1.5	2.5	4.0	6.6	18.1	6 548	1 431
Formation Biologics	CA	CAD	6.5		6.5	6.5	10.0	4 866	4 771
Sublimity Therapeutics	IE	EUR	0.0	3.5	3.5	3.5	7.1	4 105	0
Corvidia Therapeutics	US	USD	0.0	4.0	4.0	4.0	3.0	3 962	0
Valcare	US	USD	3.5	0.5	4.0	4.0	6.6	3 962	3 339
Vitaeris	CA	USD	3.0		3.0	4.0	18.9	3 962	3 816
Shriji Polymers	IN	INR	201.0		201.0	216.2	2.8	3 129	3 163
Cure Everlife Holdings	MU	USD	0.0	3.0	3.0	3.0		2 972	0
Everest Medicines	CN	USD	0.0	3.0	3.0	3.0	1.0	2 972	0
Shape Memory Medical	US	USD	3.0		3.0	3.0	10.9	2 972	2 862
Complexa	US	USD	2.9		2.9	2.9	4.1	2 877	2 771
BaseHealth	US	USD	2.5		2.5	2.5	6.2	2 476	2 385
Amphora Medical	US	USD	2.2		2.2	2.2	5.5	2 153	2 074
iTeos Therapeutics	BE	EUR	0.0	1.6	1.6	1.6	1.8	1 867	0
Iconic Therapeutics ¹⁾	US	USD	7.5		7.5	0.0	7.1	0	1 789
TandemLife (Cardiac Assist) ²⁾	US	USD	4.4	-4.4	0.0	0.0	0.0	0	31 148
Others								8 575	8 405
Total private companies								288 593	282 164

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

2) The company was acquired during the reporting period. The transaction was completed on 4 April 2018.

Funds	Invest- ment currency	Total commitment	Payments in reporting period	Repayments in reporting period	Cumulative payments 30.6.2018	Cumulative repayments 30.6.2018	Fair value 30.6.2018	Fair value 30.6.2018	Fair value 31.3.2018
			IC million	IC million	IC million	IC million	IC million	IC million	CHF 000
HBM BioCapital II ¹⁾	EUR	42.0			37.0	3.7	26.9	31 134	30 585
MedFocus Fund II	USD	16.0			16.0	15.0	19.0	18 821	17 971
WuXi Healthcare Ventures II	USD	20.0	2.8		15.8	0.6	16.3	16 157	12 974
6 Dimensions Capital	USD	25.0	3.2		16.2	0.0	16.0	15 812	12 243
Tata Capital HBM Fund I	USD	10.0	0.1		9.2	0.5	11.2	11 125	9 094
Hatteras Venture Partners III	USD	10.0			10.0	2.0	9.4	9 265	8 250
BioMedInvest II	CHF	10.0			10.0	1.8	8.6	8 580	8 840
HBM Genomics	USD	15.0			8.9	0.0	8.4	8 276	8 137
BioMedInvest I	CHF	26.0			26.0	24.6	7.0	7 020	6 994
Galen Partners V	USD	10.0	0.1	1.2	10.4	8.8	4.6	4 587	5 168
Nordic Biotech	DKK	31.0			31.0	221.7	23.2	3 581	2 781
BioVeda China IV	USD	5.0	1.4		1.4	0.0	1.4	1 366	0
C-Bridge Capital IV	USD	10.0			0.0	0.0	0.0	0	0
Others								2 330	2 542
Total funds								138 054	125 579

1) The fair value of EUR 26.9 million takes into account the fund's cumulative management fees of EUR 4.9 million. This amount has been reimbursed in full to HBM Healthcare so that fees are not levied twice.

Public companies	Investment currency	Balance	Changes in	Balance	Share price 30.6.2018	Ownership 30.6.2018	Fair value	Fair value
		31.3.2018	reporting period	30.6.2018			30.6.2018	31.3.2018
	IC	Number of shares	Number of shares	Number of shares	IC	%	CHF 000	CHF 000
Vectura Group	GBP	63 002 869	-10 002 869	53 000 000	0.78	8.0	54 119	65 410
Ultragenyx Pharmaceutical	USD	500 000	-25 700	474 300	76.87	1.0	36 117	24 322
Pacira Pharmaceuticals ^{P)}	USD	1 100 000	0	1 100 000	32.05	2.7	34 924	32 689
Immunomedics	USD	1 400 000	-6 600	1 393 400	23.67	0.8	32 672	19 513
ObsEva ^{P)}	USD	2 313 330	-150 185	2 163 145	15.14	4.8	32 442	29 782
Galapagos	EUR	300 000	0	300 000	78.94	0.6	27 410	28 676
Genmab	DKK	140 000	25 000	165 000	984.80	0.3	25 243	28 662
Ascendis Pharma	USD	400 000	-40 556	359 444	66.52	0.9	23 685	24 957
Esperion Therapeutics	USD	400 000	169 735	569 735	39.19	2.1	22 118	27 601
Aptinyx ^{1)P)}	USD	790 873	127 500	918 373	24.17	2.7	21 988	6 201
Argenx	EUR	250 000	-1 795	248 205	72.30	0.8	20 770	19 164
Argenx (ADS)	USD	250 542	-41 385	209 157	82.86	0.7	17 168	19 227
Zogenix	USD	400 000	55 256	455 256	44.20	1.3	19 933	15 283
AnaptysBio ^{P)}	USD	200 000	63 700	263 700	71.04	1.1	18 557	19 858
Celgene	USD	227 000	0	227 000	79.42	0.0	17 859	19 319
Incyte	USD	250 000	0	250 000	67.00	0.1	16 593	19 874
Nicox	EUR	1 673 304	0	1 673 304	8.05	5.7	15 591	17 844
Neurocrine Biosciences	USD	209 000	-59 500	149 500	98.24	0.2	14 549	16 535
Amicus Therapeutics	USD	844 784	80 216	925 000	15.62	0.5	14 313	12 121
Alnylam Pharmaceuticals	USD	0	131 704	131 704	98.49	0.1	12 850	0
Retrophin	USD	433 952	27 128	461 080	27.26	1.2	12 451	9 257
Puma Biotechnology	USD	150 000	55 151	205 151	59.15	0.5	12 021	9 738
Tesaro	USD	250 000	0	250 000	44.47	0.5	11 013	13 628
Arena Pharmaceuticals	USD	250 000	0	250 000	43.60	0.5	10 798	9 421
Homology Medicines ^{P)}	USD	902 794	-375 000	527 794	20.40	1.4	10 666	16 106
Acadia Pharmaceuticals	USD	700 000	0	700 000	15.27	0.6	10 589	15 005
Divis Laboratories	INR	608 000	30 400	638 400	1 038.60	0.2	9 593	9 695
RA Pharmaceuticals	USD	750 000	192 640	942 640	9.95	2.9	9 291	3 799
Paratek Pharmaceuticals ^{P)}	USD	895 000	0	895 000	10.20	2.8	9 043	11 100
Clovis	USD	230 105	-44 623	185 482	45.47	0.4	8 355	11 591
Nabriva Therapeutics ^{P)}	USD	2 334 007	0	2 334 007	3.48	5.7	8 046	11 200
Coherus Biosciences	USD	577 442	0	577 442	14.00	0.9	8 008	6 087
Albireo Pharma	USD	200 000	0	200 000	35.50	1.7	7 033	6 214
Uniqure	USD	0	168 159	168 159	37.80	0.5	6 297	0
Eiger BioPharmaceuticals ^{P)}	USD	580 000	-77 494	502 506	12.20	3.7	6 073	5 450
Assembly Biosciences	USD	0	150 727	150 727	39.21	0.7	5 854	0
La Jolla Pharmaceutical	USD	355 000	-155 000	200 000	29.17	0.8	5 779	10 086
Dynavax Technologies	USD	0	375 000	375 000	15.25	0.6	5 665	0
Bioarctic	SEK	2 271 809	-347 521	1 924 288	21.80	2.6	4 647	5 560
Jubilant Life Sciences	INR	0	459 406	459 406	699.15	0.3	4 647	0
Novan	USD	1 294 400	0	1 294 400	2.94	5.0	3 770	3 618
Sesen Bio	USD	0	1 840 023	1 840 023	1.95	2.4	3 554	0
Alimera Sciences	USD	3 500 000	0	3 500 000	0.98	5.0	3 392	3 439
Laurus Labs	INR	501 698	0	501 698	461.90	0.5	3 353	3 690
Erytech Pharma	EUR	381 529	-91 578	289 951	9.64	1.6	3 235	7 626
Forty Seven	USD	0	200 000	200 000	16.00	0.7	3 170	0
Spring Bank Pharmaceuticals	USD	258 736	0	258 736	11.85	2.0	3 037	3 796
ARMO BioSciences ^{2)P)}	USD	1 591 540	-1 591 540	0	n/a	0.0	0	56 801
AveXis ²⁾	USD	100 000	-100 000	0	n/a	0.0	0	11 790
Others							12 722	64 426
Total public companies							681 003	756 161
Total investments							1 107 650	1 163 904

P) The position originates from the private companies portfolio.
1) The company went public on NASDAQ in June 2018. The investment was listed under private companies in previous reports.

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

3.2 Financial instruments

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

Holdings of financial instruments (CHF 000)	30.6.2018	31.3.2018
Other financial instruments		
Purchased call and put options	1 352	3 121
Total long financial instruments	1 352	3 121
Market hedging		
Sale of ETFs	146 875	140 532
Other financial instruments		
Sale of shares	0	7 096
Total short financial instruments	146 875	147 628

As at the balance sheet date, a partial hedge of the general market risk derived from public investments was in place. Worth CHF 146.9 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:

Income from financial instruments (CHF 000)	Quarter ended 30.6.2018	Quarter ended 30.6.2017
Gains from other financial instruments	2 361	33
Total gains from financial instruments	2 361	33
Losses from currency hedging transactions	0	-1 973
Losses from market hedging transactions	-15 483	-9 272
Losses from other financial instruments	-74	-4 134
Total losses from financial instruments	-15 557	-15 379
Net result from financial instruments	-13 196	-15 346

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 June 2018, CHF 37.6 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 4.2 million are reported under "Investments - Other private companies" (claims from investments held indirectly via HBM BioCapital I).

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

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

Balance sheet value and potential cash flows (CHF million)	Book value 30.6.2018	Cash flows minimum	Cash flows maximum	Expected period of payment
mtm laboratories	14.4	0.9	26.6	2019
Nereus ¹⁾	10.3	0.0	23.9	2018–2025
TandemLife (Cardiac Assist)	8.0	4.6	11.8	2019–2021
True North Therapeutics	5.5	1.3	13.2	2018–2020
Interventional Spine	3.6	2.3	6.6	2018–2019
Tripex (former Mpex) ²⁾	0.0	0.0	>4.0 from 2018 onwards	
Total	41.8	9.1	>86.1	

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

2) 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. During the reporting period, HBM Partners was paid CHF 4.0 million (previous year: CHF 3.5 million).

A provision for a performance fee of CHF 8.8 million was made during the reporting period

(previous year: none) because net assets as at the balance sheet date did exceed the highest net assets (high water mark) used as the calculation basis for the last performance fee payment. The high water mark for all outstanding shares is CHF 163.37 (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)	30.6.2018	31.3.2018
HBM BioCapital I+II	6 048	6 143
Other funds	33 520	30 050
Private companies	24 286	9 946
Total investment commitments	63 854	46 139

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 Shareholders' Meeting of 25 June 2018, the decision was made to cancel 80000 treasury shares. This capital reduction will be entered in the Commercial Register in the course of the third quarter of calendar year 2018 in consideration of legal deadlines.

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 will be made after the expiration of the legal deadlines in the third quarter of calendar year 2018.

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 buyback 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 82910 of its own shares (as at 31 March 2018: 82910) as at the balance sheet date. In the reporting period, none of the Company's own shares were acquired (previous year: 34000 at CHF 114.47).

Holdings from second trading line

(Number of own shares)

Beginning of period 1 April 2018	82 910
Acquired via second trading line under share buy-back programme	0
End of period 30 June 2018	82 910

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd holds 39 573 treasury shares (as at 31 March 2018: 51 411), acquired via the regular trading line. During the reporting period, the Subsidiary acquired a total of 82 734 treasury shares via the regular trading line at an average price of CHF 158.40 per share (previous year: 206 925 at CHF 114.82) and sold 94 572 treasury shares at an average price of CHF 164.39 (previous year: 272 842 at CHF 114.47).

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

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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 June 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 163.37

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

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Credits

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