



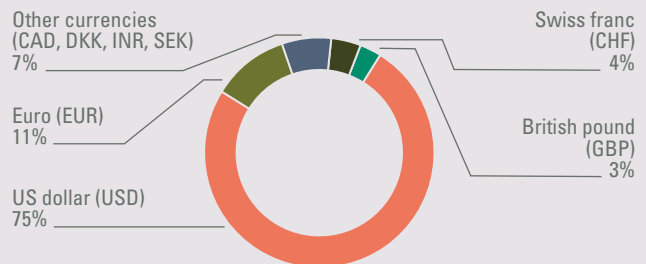
Quarterly Report **2018**  
**December**

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).

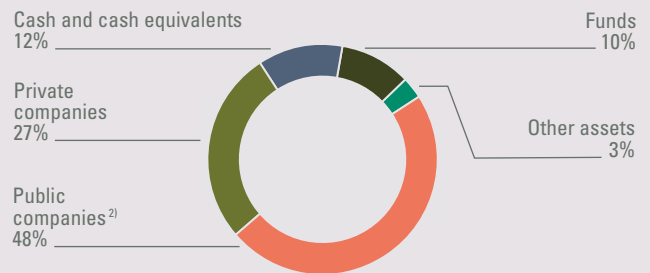
**Currency allocation of assets<sup>1)</sup>**

Emphasis on US dollar investments.



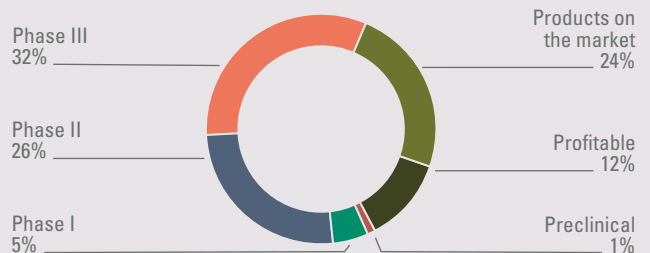
**Allocation of assets<sup>1)</sup>**

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



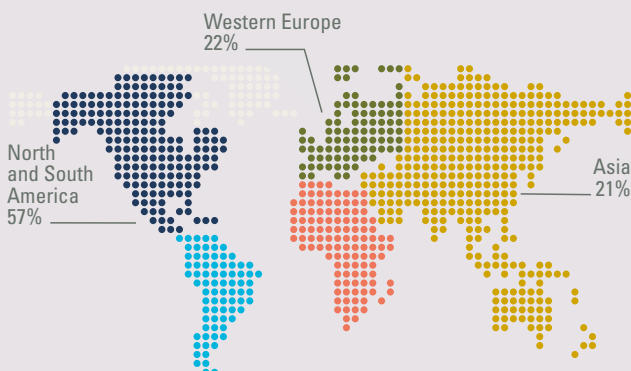
**Development phase of portfolio companies<sup>3)</sup>**

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



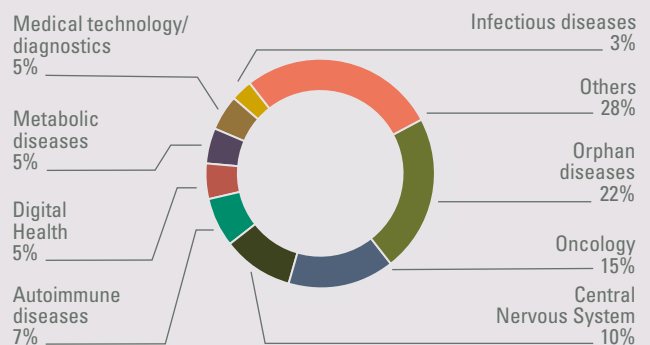
**Investments by continents<sup>3)</sup>**

International portfolio with its main focus on North America.



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

Broadly diversified areas of activity.



1) Total assets (net of liability to Subsidiary) as at 31.12.2018: CHF 1 286 million.

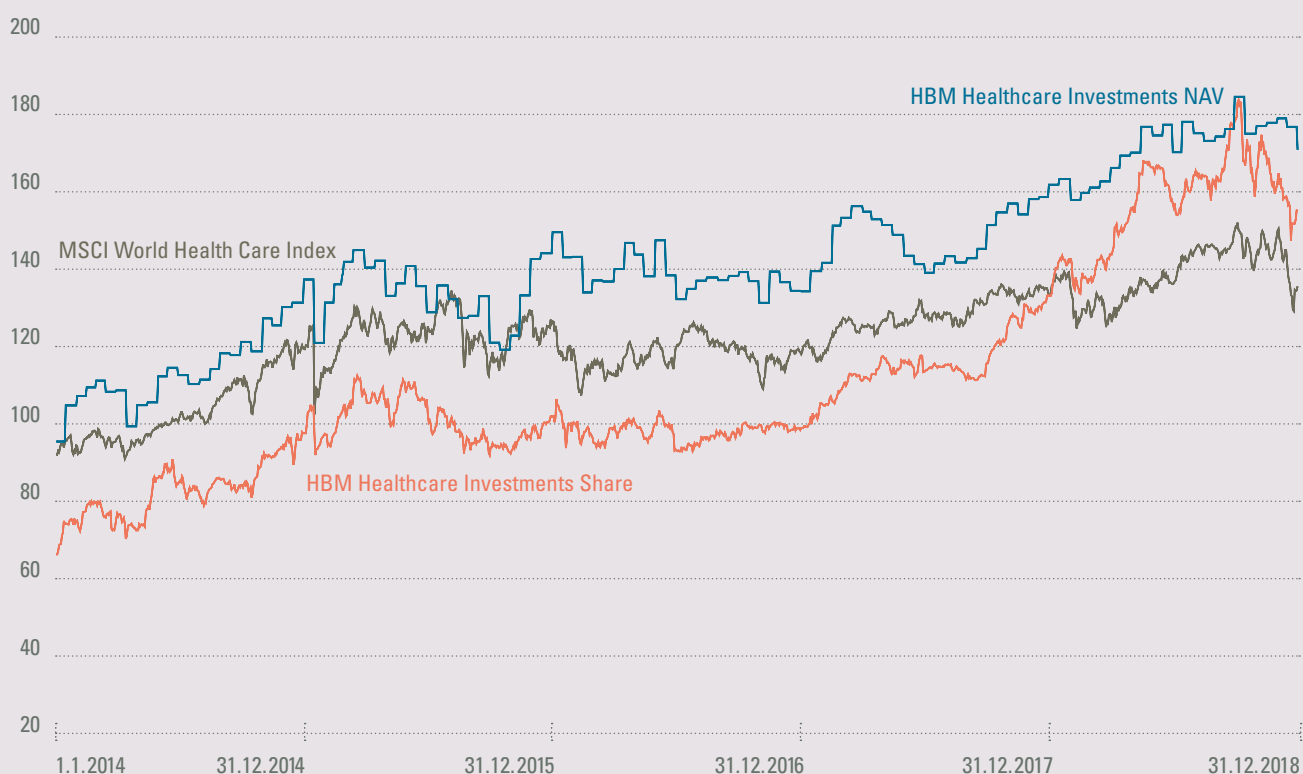
2) Thereof about 7 percent is hedged.

3) Total investments as at 31.12.2018: CHF 1 103 million.

<b>Key Figures</b>		31.12.2018	31.3.2018	31.3.2017	restated 31.3.2016	restated 31.3.2015
<b>Net assets</b>	CHF million	<b>1 190.5</b>	<b>1 157.9</b>	<b>1 095.8</b>	<b>1 034.8</b>	<b>1 086.6</b>
Investments in private companies and funds		479.2	413.9	274.3	299.5	273.4
Investments in public companies		623.4	750.0	813.6	677.0	748.1
Cash and cash equivalents (net of liability from market hedging)		156.9	72.4	77.0	104.8	76.9
<b>Net result for the period</b>	CHF million	<b>81.3</b>	<b>115.9</b>	<b>136.8</b>	<b>23.8</b>	<b>257.5</b>
Basic earnings per share	CHF	11.69	16.55	18.96	3.11	32.47
Net asset value (NAV) per share	CHF	171.12	166.43	155.09	139.41	140.12
Share price	CHF	155.40	144.00	111.40	99.45	108.00
<b>Discount</b>	%	<b>-9.2</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</b> (including distributions)		2018/2019 (9 months)	2017/2018	2016/2017	restated 2015/2016	restated 2014/2015
Net asset value (NAV)	%	7.0	11.1	15.2	3.4	31.6
Registered share HBMN	%	12.8	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)



HBM Healthcare Investments withstood the market correction relatively well thanks to the partial hedge that we had in place, and the growth in the value of the portfolio of private companies. Indeed, at 7.4 percent, net asset value (NAV) per share contracted much less than the comparable indices during the quarter under review, for which HBM Healthcare Investments reported a loss of CHF 96 million. However, the Company is still showing a profit of CHF 81 million for the first nine months of the current 2018/2019 financial year, owing to the high earnings of the first half. NAV rose by 7.0 percent during this period, while the share price advanced by as much as 12.8 percent. In addition to a number of follow-on financing rounds, the quarter under review saw new investments in four private companies. The market hedge of the public portfolio was reduced considerably towards the end of the quarter.

#### **Dear Shareholders**

HBM Healthcare Investments withstood the heavy price correction on the financial markets during Q4 2018 relatively well. Indeed, with a decline of 7.4 percent, net asset value (NAV) per share contracted much less than comparable indices. On the one hand, the partial market hedge and the timely realisation of portfolio holdings to generate liquidity absorbed some of the fall in our public companies' share prices. Another factor was growth in the value of our private companies. Overall, HBM Healthcare Investments made a loss of CHF 96 million during the quarter under review.

Notwithstanding the negative result for the most recent quarter, the Company is showing a profit of CHF 81 million for the first nine months of the 2018/2019 financial year, with NAV up by 7.0 percent. The share price advanced by 12.8 percent during the same period.

### Positive trend among private companies

A number of firms in the portfolio of private companies performed very well indeed:

Neurelis submitted an application for regulatory approval to the US FDA for VALTOCO™, a nasal spray for the treatment of acute epileptic seizures. Approval is expected in 2019. In addition, in November the company concluded a USD 55 million financing round with CMS Medical Ventures, as a new investor. HBM Healthcare Investments contributed USD 9.5 million to this financing arrangement, which led to the value of the holding to be upgraded by just under CHF 20 million.

In December, 1mg – the leading digital healthcare platform in India – completed a financing round worth the equivalent of around CHF 70 million that was led by a Swiss investors group. HBM Healthcare Investments itself contributed CHF 5 million. Once again, this financing round resulted in the upward revaluation of the company, increasing the value of our existing investment by around CHF 8 million.

Meanwhile, last year Swiss company Amicus concluded new agreements with 15 companies to license, market or represent products in central and eastern Europe. This rapidly-expanding firm generated sales of more than EUR 70 million in 2018, and is on course to raise turnover to over EUR 100 million in 2019. Our holding in Amicus continues to be valued at cost price in our portfolio.

Shortly before the end of 2018, Harmony Biosciences applied to the FDA for regulatory approval for Pitolisant for the US market. Pitolisant is a drug that is used to treat narcolepsy and cataplexy, and is already approved in Europe.

Cathay Industrial Biotech, the Chinese manufacturer of organically based materials from renewable resources, completed the first phase of construction of a new production facility in Xinjiang, which is now operational. The company is now planning to invest a further USD 500 million in a second phase of construction to double its production capacity in Xinjiang.

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

In addition to the follow-on financing rounds referred to above, the quarter under review brought new investments in four private companies:

- > A total of CHF 15 million is being invested in two companies set up by the former scientific head and cofounder of Brahms, a very successful former HBM Healthcare Investments portfolio company. Both companies are based in Henningsdorf, Germany.
  - Diagnostics firm Sphingotec develops and markets the innovative penKid® and bio-ADM® biomarkers to predict, diagnose and monitor the treatment of acute kidney injuries, heart failure, and septic shock. An initial EUR 4.5 million tranche of a total of EUR 9 million has been paid in.
  - Andrenomed is conducting a phase II trial to test the adrecizumab antibody in the treatment of patients with septic shock. EUR 0.3 million in share capital has been paid in to date, with three further tranches to follow from early 2019 onwards. Andrenomed will receive a total of EUR 6 million.
- > TP Therapeutics, an oncology firm based in San Diego, USA, received USD 10 million. In its most advanced development programme, the company is conducting a phase I/II trial of a kinase inhibitor for the targeted treatment of lung cancer.
- > EUR 7 million is being invested in Danish company Galecto Biotech, with the first tranche – of EUR 3.2 million – already paid in. Galecto is conducting clinical trials of a compound to treat idiopathic pulmonary fibrosis.

### **Outlook**

The accelerated price drop on the financial markets was followed after Christmas by a counterreaction which continued into the first few weeks of the new year. The lower level of valuations has also prompted resurgent M&A activity in the healthcare sector in recent weeks, with GSK acquiring Tesaro, Bristol-Myers Squibb purchasing Celgene, and Eli Lilly buying Loxo Oncology. The buyers offered high purchase premiums in each case. The takeovers have restored market sentiment in the healthcare sector somewhat, which should benefit HBM Healthcare Investments.

That said, financial market volatility can be expected to remain high as we enter the new year. The primary reasons for this are political developments, signs that the global economy is slowing down, and the tighter monetary policy that is already in place in the United States and will affect Europe in the future. We will monitor these developments closely and, when necessary, increase the market hedge on a portion of our public portfolio once again – having closed out around two thirds of it owing to the sharp drop in share prices during the fourth quarter.

With a global portfolio of high quality private and public companies, as well as plenty of liquidity, HBM Healthcare Investments remains very well positioned even in the current market climate. We firmly believe that our investment strategy and our carefully crafted portfolio will continue to generate attractive added value for you, our valued shareholders, in the years to come.



Dr Andreas Wicki  
CEO



Erwin Troxler  
CFO

<b>Balance sheet</b> (CHF 000)	Notes	31.12.2018	31.3.2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		4 982	6 522
Receivables		37	37
<b>Total current assets</b>		<b>5 019</b>	<b>6 559</b>
<b>Non-current assets</b>			
Investment in subsidiary	(3)	1 338 482	1 253 924
<b>Total non-current assets</b>		<b>1 338 482</b>	<b>1 253 924</b>
<b>Total assets</b>		<b>1 343 501</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		1 619	2 333
<b>Total current liabilities</b>		<b>53 619</b>	<b>3 351</b>
<b>Non-current liabilities</b>			
Financial liabilities	(4)	99 360	99 236
<b>Total non-current liabilities</b>		<b>99 360</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		652 111	570 786
<b>Total shareholders' equity</b>		<b>1 190 522</b>	<b>1 157 896</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 343 501</b>	<b>1 260 483</b>
Number of outstanding shares (in 000)		6 957	6 957
Net asset value (NAV) per share (CHF)		171.12	166.43



<b>Statement of comprehensive income for the period 1 April to 31 December (CHF 000)</b>	Notes	Quarter ended 31.12.2018	Quarter ended 31.12.2017	9-month period ended 31.12.2018	9-month period ended 31.12.2017
Net change in value of investment in subsidiary	(3)	-94 473	73 153	84 558	88 761
<b>Result from investment activities</b>		<b>-94 473</b>	<b>73 153</b>	<b>84 558</b>	<b>88 761</b>
Personnel expenses		-204	-238	-614	-641
Other operating expenses		-312	-248	-790	-640
<b>Result before interest and taxes</b>		<b>-94 989</b>	<b>72 667</b>	<b>83 154</b>	<b>87 480</b>
Financial expenses	(4)	-604	-620	-1 830	-1 834
Financial income		1	1	1	1
Income taxes		0	0	0	0
<b>Net result for the period</b>		<b>-95 592</b>	<b>72 048</b>	<b>81 325</b>	<b>85 647</b>
<b>Comprehensive result</b>		<b>-95 592</b>	<b>72 048</b>	<b>81 325</b>	<b>85 647</b>
Number of outstanding shares, time-weighted (in 000)		6 957	6 981	6 957	7 014
Basic earnings per share (CHF)		-13.74	10.32	11.69	12.21

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

	9-month period ended 31.12.2018	9-month period ended 31.12.2017
<b>Statement of cash flows for the period 1 April to 31 December (CHF 000)</b>		
Other expenses paid (personnel and other operating expenses)	-2 573	-2 876
<b>Net cash flow from operating activities</b>	<b>-2 573</b>	<b>-2 876</b>
Interest payments paid	-2 269	-2 273
Loan from subsidiary	52 000	60 000
Cash distribution from capital reserve	-38 264	-40 783
Par value repayment	-10 435	0
Purchase of treasury shares	0	-12 484
<b>Net cash flow from financing activities</b>	<b>1 032</b>	<b>4 460</b>
<b>Currency translation differences</b>	<b>1</b>	<b>1</b>
<b>Net change in cash and cash equivalents</b>	<b>-1 540</b>	<b>1 585</b>
Cash and cash equivalents at beginning of period	6 522	6 115
Cash and cash equivalents at end of period	4 982	7 700

<b>Statement of changes in equity (CHF 000)</b>	Share capital	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
<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				85 647	85 647
Purchase of treasury shares		-12 376			-12 376
Distribution from capital reserve (30.6.2017)			-40 783		-40 783
Capital reduction (14.9.2017)	-15 210	26 471	-11 261		0
<b>Balance 31 December 2017</b>	<b>411 840</b>	<b>-9 468</b>	<b>185 318</b>	<b>540 559</b>	<b>1 128 249</b>
Comprehensive result				30 227	30 227
Purchase of treasury shares		-580			-580
<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				81 325	81 325
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 31 December 2018</b>	<b>396 720</b>	<b>-402</b>	<b>142 093</b>	<b>652 111</b>	<b>1 190 522</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)	31.12.2018	31.3.2018
CAD	0.7210	0.7395
DKK	0.1510	0.1577
EUR	1.1274	1.1757
GBP	1.2540	1.3370
INR	0.0141	0.0146
SEK	0.1111	0.1144
USD	0.9832	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:

	9-month period ended 31.12.2018	9-month period ended 31.12.2017
<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	84 558	88 761
<b>Fair value at the end of period</b>	<b>1 338 482</b>	<b>1 281 595</b>

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

	31.12.2018	31.3.2018	31.12.2017
<b>Composition net assets (CHF 000)</b>			
Cash and cash equivalents	197 673	213 551	240 080
Receivables	416	393	235
Loan to parent company	52 000	0	60 000
Investments			
Private companies	351 409	288 365	229 093
Funds	127 769	125 579	123 586
Public companies	623 387	749 960	740 613
Shares of parent company	14 261	7 403	10 201
Financial instruments	320	3 121	1 995
Other financial assets	31 131	29 740	31 098
<b>Total assets</b>	<b>1 398 366</b>	<b>1 418 112</b>	<b>1 436 901</b>
Financial instruments	-45 714	-147 628	-142 874
Liability from performance fee	-11 360	-15 942	-11 615
Other current liabilities	-2 810	-618	-817
<b>Total net assets at fair value</b>	<b>1 338 482</b>	<b>1 253 924</b>	<b>1 281 595</b>

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

	9-month period ended 31.12.2018	9-month period ended 31.12.2017
<b>Change in net assets at fair value (CHF 000)</b>		
Net result on investments	88 759	141 859
Dividend income	482	108
Net result from financial instruments	13 407	-30 033
Net result from other financial assets	5 967	-1 449
Net result from shares of parent company	1 229	1 317
<b>Result from investing activities</b>	<b>109 844</b>	<b>111 802</b>
Management fee	-13 063	-10 374
Performance fee	-11 360	-11 615
Personnel and other operating expenses	-907	-1 064
Financial result	44	12
<b>Change in value, gross</b>	<b>84 558</b>	<b>88 761</b>
<b>Net change in value of investment</b>	<b>84 558</b>	<b>88 761</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	85 879	15 941	346 610	448 430
Sales	-37 894	-15 202	-545 432	-598 528
Realised gains	25 520	78	201 585	227 183
Realised losses	-5 525	-379	-87 682	-93 586
Changes in unrealised gains/losses	23 441	1 752	-70 031	-44 838
Net result on investments	43 436	1 451	43 872	88 759
<b>Fair value 31 December 2018</b>	<b>351 409</b>	<b>127 769</b>	<b>623 387</b>	<b>1 102 565</b>

Details on investments can be found on pages 14 to 16.

Private companies	Domicile	Investment currency	Amount disbursed 31.3.2018	Changes in reporting period	Amount disbursed 31.12.2018	Fair value 31.12.2018	Ownership 31.12.2018	Fair value 31.12.2018	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	89 964	87 292
Neurelis	US	USD	8.3	9.5	17.8	37.7	15.0	37 067	7 870
Harmony Biosciences	US	USD	30.0		30.0	32.6	8.1	32 061	31 109
Amicus	CH	EUR	20.0		20.0	20.0	29.0	22 549	23 514
1mg	IN	INR	515.7	357.1	872.8	1 452.4	12.5	20 468	7 543
SAI Life Sciences	IN	INR	256.4		256.4	1 151.4	5.8	16 226	6 019
Jianke Pharmaceutical	CN	USD	0.0	14.9	14.9	14.9	3.4	14 625	0
Westmed Holding	US	USD	7.0		7.0	12.4	25.2	12 225	11 862
Vascular Dynamics	US	USD	10.0	0.9	10.9	10.9	13.1	10 730	9 505
TP Therapeutics	US	USD	0.0	10.0	10.0	10.0	3.3	9 832	0
FarmaLatam	PA	USD	7.7	1.2	8.9	9.9	69.9	9 780	7 320
ConnectRN	US	USD	1.5	2.5	4.0	6.6	18.1	6 499	1 431
Sphingotec	DE	EUR	0.0	4.5	4.5	4.5	7.1	5 078	0
Cardialen	US	USD	0.0	5.0	5.0	5.0	17.8	4 916	0
Galera Therapeutics	US	USD	0.0	5.0	5.0	5.0	2.0	4 916	0
Forbius (Formation Biologics)	CA	CAD	6.5		6.5	6.5	10.0	4 651	4 771
Valcare	US	USD	3.5	0.8	4.3	4.3	7.4	4 204	3 339
Sublimity Therapeutics	IE	EUR	0.0	3.5	3.5	3.5	7.1	3 999	0
Vitaeris	CA	USD	3.0		3.0	4.0	18.9	3 933	3 816
Corvidia Therapeutics	US	USD	0.0	4.0	4.0	4.0	3.0	3 933	0
Galecto Biotech	DK	EUR	0.0	3.2	3.2	3.2	4.3	3 587	0
Shriji Polymers	IN	INR	201.0		201.0	216.2	2.8	3 047	3 163
Cure Everlife Holdings	MU	USD	0.0	3.0	3.0	3.0	7.8	2 950	0
Everest Medicines	CN	USD	0.0	3.0	3.0	3.0	1.0	2 950	0
Shape Memory Medical	US	USD	3.0		3.0	3.0	10.9	2 950	2 862
Complexa	US	USD	2.9		2.9	2.9	4.1	2 856	2 771
Amphora Medical	US	USD	2.2	0.4	2.6	2.6	5.5	2 519	2 074
BaseHealth	US	USD	2.5		2.5	2.5	6.3	2 458	2 385
Nuance Biotech	CN	USD	0.0	2.0	2.0	2.0	2.1	1 966	0
iTeos Therapeutics	BE	EUR	0.0	1.6	1.6	1.6	1.8	1 818	0
Adrenomed	DE	EUR	0.0	0.3	0.3	0.3		386	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								6 266	8 405
<b>Total private companies</b>								<b>351 409</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	Total	Payments	Repayments	Cumulative	Cumulative	Fair value	Fair value	Fair value
	currency		commitment	in reporting	in reporting	payments	repayments	31.12.2018	31.12.2018
	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	4.2	5.6	41.2	9.2	22.1	24 901	30 585
WuXi Healthcare Ventures II	USD	20.0	2.8		15.8	0.6	19.9	19 580	12 974
MedFocus Fund II	USD	26.0			16.0	15.0	18.9	18 555	17 971
6 Dimensions Capital	USD	25.0	3.2	0.1	16.2	0.1	15.3	15 059	12 243
HBM Genomics	USD	15.0	2.8		11.7	0.0	11.2	10 989	8 137
Tata Capital HBM Fund I	USD	10.0	0.2	4.2	9.3	4.7	7.9	7 746	9 094
Hatteras Venture Partners III	USD	10.0			10.0	2.0	7.7	7 527	8 250
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	5.9	5 902	6 994
Galen Partners V	USD	10.0	0.1	1.2	10.4	8.8	5.2	5 159	5 168
BioVeda China IV	USD	5.0	1.4		1.4	0.0	1.3	1 289	0
Nordic Biotech	DKK	31.0			31.0	221.7	7.0	1 030	2 781
C-Bridge Capital IV	USD	10.0	0.9	0.1	0.9	0.1	0.7	708	0
Others								1 984	2 542
<b>Total funds</b>								<b>127 769</b>	<b>125 579</b>

1) The fair value of EUR 22.1 million takes into account the fund's cumulative management fees of EUR 5.1 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	9 months	3 months	31.12.2018	31.12.2018	31.12.2018	31.12.2018	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	328 399	-261 601	2 814 494	20.34	8.2	56 285	22 176
Vectura Group	GBP	63 002 869	-15 185 858	-4 078 579	47 817 011	0.70	7.2	41 973	65 410
Pacira Pharmaceuticals <sup>P)</sup>	USD	1 100 000	-149 738	-149 738	950 262	43.02	2.3	40 194	32 689
Galapagos	EUR	300 000	-7 858	-17 935	292 142	80.56	0.5	26 534	28 676
Tesaro	USD	250 000	82 500	102 500	332 500	74.25	0.6	24 273	13 628
Principia Biopharma <sup>1)P)</sup>	USD	0	833 923	-425 000	833 923	27.39	3.5	22 457	0
Immunomedics	USD	1 400 000	158 014	360 000	1 558 014	14.27	0.8	21 859	19 513
Ultragenyx Pharmaceutical	USD	500 000	0	254 499	500 000	43.48	1.0	21 375	24 322
Esperion Therapeutics	USD	400 000	72 257	0	472 257	46.00	1.8	21 359	27 601
Alnylam Pharmaceuticals	USD	0	257 813	70 000	257 813	72.91	0.3	18 481	0
Zogenix	USD	400 000	113 219	11 009	513 219	36.46	1.2	18 398	15 283
Argenx	EUR	250 000	-60 000	0	190 000	85.20	0.5	18 251	19 164
Argenx (ADR)	USD	250 542	-60 542	-30 000	190 000	96.07	0.5	17 947	19 227
ObsEva (ADS) <sup>P)</sup>	USD	2 313 330	-926 732	-37 800	1 386 598	12.66	3.2	17 259	29 782
RA Pharmaceuticals	USD	750 000	175 000	-97 583	925 000	18.20	3.2	16 552	3 799
AnaptysBio <sup>P)</sup>	USD	200 000	46 175	16 175	246 175	63.79	0.9	15 440	19 858
Arena Pharmaceuticals	USD	250 000	115 000	115 000	365 000	38.95	0.7	13 978	9 421
Retrophin	USD	433 952	153 197	37 000	587 149	22.63	1.4	13 064	9 257
Aptinyx <sup>1)P)</sup>	USD	790 873	0	0	790 873	16.54	2.4	12 861	6 201
Inflarx	USD	0	344 594	344 594	344 594	36.37	1.3	12 322	0
Acadia Pharmaceuticals	USD	700 000	0	0	700 000	16.17	0.5	11 129	15 005
Amicus Therapeutics	USD	844 784	214 277	0	1 059 061	9.58	0.6	9 975	12 121
Divis Laboratories	INR	608 000	-135 700	-98 400	472 300	1 482.65	0.2	9 868	9 695
Nicox	EUR	1 673 304	0	0	1 673 304	5.01	5.6	9 452	17 844
Amarin (ADR)	USD	0	700 000	700 000	700 000	13.61	0.2	9 367	0
Beigene	HKD	0	700 000	0	700 000	84.10	0.1	7 390	0
Beigene (ADR)	USD	0	50 000	20 000	50 000	140.26	0.1	6 895	0
Coherus Biosciences	USD	577 442	240 000	240 000	817 442	9.05	1.2	7 274	6 087
Albireo Pharma	USD	200 000	100 000	74 112	300 000	24.53	2.5	7 235	6 214
Uniqure	USD	0	250 000	50 000	250 000	28.82	0.7	7 084	0
Spring Bank Pharmaceuticals	USD	258 736	400 000	0	658 736	10.39	4.0	6 729	3 796
Idorsia	CHF	0	400 000	0	400 000	16.22	0.3	6 488	0
Assembly Biosciences	USD	0	290 727	90 000	290 727	22.62	1.1	6 466	0
Reata Pharmaceuticals	USD	0	115 417	55 000	115 417	56.10	0.5	6 366	0
Arrowhead Pharmaceuticals	USD	0	500 000	470 000	500 000	12.42	0.5	6 106	0
Jubilant Life Sciences	INR	0	459 406	0	459 406	710.60	0.3	4 601	0
Hansa Medical	SEK	0	130 000	130 000	130 000	276.80	0.3	3 996	0
Paratek Pharmaceuticals	USD	895 000	-187 552	-44 691	707 448	5.13	2.2	3 568	11 100
Dynavax Technologies	USD	0	375 000	0	375 000	9.15	0.6	3 374	0
Rubius Therapeutics	USD	0	207 592	-5 100	207 592	16.08	0.3	3 282	0
Xenon Pharmaceuticals <sup>P)</sup>	USD	0	521 789	0	521 789	6.31	2.1	3 237	0
ARMO BioSciences <sup>P)</sup>	USD	1 591 540	-1 591 540	0	0	n/a	0.0	0	56 801
AveXis	USD	100 000	-100 000	0	0	n/a	0.0	0	11 790
Others								32 643	261 877
<b>Total public companies</b>								<b>623 387</b>	<b>778 337</b>
<b>Total investments</b>								<b>1 102 565</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.



### 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>31.12.2018</b>	<b>31.3.2018</b>
<b>Other financial instruments</b>		
Purchased call and put options	320	3121
<b>Total long financial instruments</b>	<b>320</b>	<b>3121</b>
<b>Market hedging</b>		
Sale of Exchange Traded Funds (ETFs)	45 714	140 532
<b>Other financial instruments</b>		
Sale of shares	0	7 096
<b>Total short financial instruments</b>	<b>45 714</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 45.7 million, it consisted of the short sale of 0.65 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>9-month period ended 31.12.2018</b>	<b>9-month period ended 31.12.2017</b>
Gains from market hedging transactions	13 206	0
Gains from other financial instruments	2 513	2 158
<b>Total gains from financial instruments</b>	<b>15 719</b>	<b>2 158</b>
Losses from currency hedging transactions	0	-1 973
Losses from market hedging transactions	0	-25 941
Losses from other financial instruments	-2 312	-4 277
<b>Total losses from financial instruments</b>	<b>-2 312</b>	<b>-32 191</b>
<b>Net result from financial instruments</b>	<b>13 407</b>	<b>-30 033</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 31 December 2018, CHF 31.1 million were carried as other financial assets (claims from investments held directly by HBM Healthcare). An additional CHF 2.9 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:

Balance sheet value and potential cash flows (CHF million)	Book value 31.12.2018	Cash flows minimum	Cash flows maximum	Expected period of payment
mtm laboratories	13.3	0.8	25.9	2020
TandemLife (Cardiac Assist)	8.4	4.6	11.7	2019–2021
Nereus <sup>1)</sup>	6.2	0.0	20.4	2019–2025
True North Therapeutics	5.8	1.3	13.1	2019–2020
Interventional Spine	0.3	0.0	4.1	2019
Tripex (former Mpex) <sup>2)</sup>	0.0	0.0	8.7	from 2019 onwards
<b>Total</b>	<b>34.0</b>	<b>6.7</b>	<b>&gt;83.9</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 9-month period up to the end of September 2018, HBM Partners was paid CHF 13.1 million (previous year: CHF 10.4 million).

A provision for a performance fee of CHF 11.4 million was made during the reporting period

(previous year: CHF 11.6 million) 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)	31.12.2018	31.3.2018
HBM BioCapital I+II	1 193	6 143
Other funds	39 465	30 050
Private companies	40 363	9 946
<b>Total investment commitments</b>	<b>81 021</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 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 9-month period, none of the Company's own shares were acquired (previous year: 104210 at CHF 118.76).

#### 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 31 December 2018</b>	<b>2 910</b>

In addition, the subsidiary HBM Healthcare Investments (Cayman) Ltd holds 91 772 treasury shares (as at 31 March 2018: 51 411), acquired via the regular trading line. During the 9-month period, the Subsidiary acquired a total of 227 919 treasury shares via the regular trading line at an average price of CHF 162.04 per share (previous year: 378 510 at CHF 117.53) and sold 187 558 treasury shares at an average price of CHF 165.40 (previous year: 381 680 at CHF 116.50).

## **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 15.

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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 31 December 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 [www.hbmpartners.com](http://www.hbmpartners.com)

**Credits**

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