

Media Release

Zug, 12 May 2014

HBM Healthcare Investments shareholders participate in outstanding annual result: issue of put options to accelerate share buy-backs and proposal of a cash dividend of CHF 3.00 per share to the Ordinary Shareholders' Meeting

- HBM Healthcare Investments closed the 2013/2014 financial year with a record net profit of CHF 353.5 million (2012/2013: net profit for the year of CHF 67.0 million). Net asset value (NAV) per share rose by 59.1 percent and the share price by 47 percent during the reporting period. Shareholders also received a cash dividend of CHF 1.50 per share, corresponding to a yield of 3 percent.
- HBM Healthcare Investments shareholders are to participate in the outstanding result for the year in the form of an attractive dividend. At the forthcoming Ordinary Shareholders' Meeting on 20 June 2014, the Board of Directors will propose a withholding tax-free cash dividend of CHF 3.00 per share, to be paid from reserves for capital brought in. This dividend is twice the previous year's level and, based on the current share price, corresponds to a yield of more than 4 percent;
- Given that the HBM Healthcare Investments share continues to trade at a significant discount to its net asset value, the Board of Directors has also decided to execute part of the intended return of capital to shareholders under a new and accelerated share buy-back programme, involving the issue of tradable put options covering up to 600,000 shares. These options will be allocated to existing shareholders free of charge. Plans are in place to announce further terms and to issue the put options themselves before the end of May 2014. To this end, the current share buy-back programme via the second trading line will be terminated as of 13 May 2014.
- HBM Healthcare Investments remains in an excellent position, and thus expects to continue generating attractive returns for its shareholders in the years to come. The Company holds a portfolio that offers significant further value-creation potential.

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Review of the 2013/2014 financial year

In a upbeat market, HBM Healthcare Investments profited from progress at a number of portfolio companies to close the 2013/2014 financial year with a record net profit of CHF 353.5 million (previous year: net profit of CHF 67.0 million). The good result for the year was driven primarily by positive developments at HBM Healthcare Investments' five largest holdings: Basilea Pharmaceutica, Ophthotech Corporation, Pacira Pharmaceuticals, Skyepharma and PTC Therapeutics. Further details are summarised in the section below entitled "Positive performance of largest portfolio holdings".

Net asset value (NAV) per share rose by 59.1 percent to CHF 108.76 during the reporting period, while the share price moved 47 percent higher, closing March 2014 at CHF 75.50. In addition, shareholders received a par value repayment of CHF 1.50 per share. This corresponds to an additional yield of three percent based on the share price at the beginning of the financial year.

The shareholder-friendly distribution policy was maintained during the 2013/2014 financial year. The Company returned a total of CHF 35.1 million to shareholders: CHF 12.9 million as a cash dividend in the form of the aforementioned par value repayment, and a further CHF 22.2 million from the repurchase of 341,000 of the Company's own shares (3.8 percent of issued shares) as part of a capital reduction under the current share buy-back programme via a second trading line. This made full use of the maximum daily trading volumes permitted under revised stock exchange legislation in Switzerland.

Abridged versions of the consolidated balance sheet and statement of income for the 2013/2014 financial year, as well as an overview of the Company's largest investment holdings, are enclosed in the Appendix. The detailed Annual Report will be published later.

Execution of an accelerated share buy-back programme by issuing put options and proposal for cash dividend of CHF 3.00 per share to the Ordinary Shareholders' Meeting

HBM Healthcare Investments shareholders are to participate in the Company's outstanding result for the 2013/2014 financial year in the form of an attractive dividend.

The Board of Directors will be proposing to the forthcoming Ordinary Shareholders' Meeting on 20 June 2014 that a withholding tax-exempt cash dividend of CHF 3.00 per share be paid out of the reserves from capital brought in. This dividend is twice the previous year's level and, based on the current share price, corresponds to an attractive yield of more than 4 percent.

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Given that the Company's shares continue to trade at a significant discount to their net asset value (NAV), the Board of Directors has also decided to execute part of the intended return of capital to shareholders in the form of an accelerated share buy-back programme. The free allocation to shareholders of tradable put options is intended to repurchase up to 600,000 shares (around 7% of issued shares) to reduce the Company's capital. This is a further measure to counter the high discount between the share price and NAV, which the Board of Directors believes is unjustified. The current share buy-back programme via the second trading line will be terminated as of 13 May 2014.

A careful review of the various options, which also considered their tax implications, concluded that executing a buy-back programme by means of put options was the best way of serving the shareholders' different interests. For a defined period, shareholders will have the choice of exercising the options allocated to them and tendering some of their shares, or selling the put option on the market and thereby generating an additional return. The value of the put option is determined primarily by the performance of the HBM share price during the option exercise period. At a stable share price, the put option retains its intrinsic value. This intrinsic value will rise if the share price falls, and fall if the share price rises. Shareholders will still benefit in the latter case, however, as the value of their shares will increase. Furthermore, shareholders will profit directly from a higher NAV per share and, in the medium term, from a greater share of the expected future increase in value of HBM's portfolio holdings. Further restricting the supply of shares should also help to narrow the gap between the share price and NAV.

The options are scheduled for issue before the end of May 2014. The aim is to complete the buy-back programme before the Ordinary Shareholders' Meeting on 20 June 2014, and to propose to shareholders that the shares that have been acquired be cancelled. Further terms of the programme, such as the strike price for the option, the trading and exercise periods, and trading details, etc., will also be announced before the end of May 2014.

Positive performance of largest portfolio holdings

Basilea Pharmaceutica had a whole raft of good news to report. At the end of September, the company published positive phase-III data for Isavuconazole, a drug for the treatment of severe fungal infections. European approval for the Ceftobiprole antibiotic for the treatment of lung infections followed in October. Previously, Basilea had reached agreement with the Biomedical Advanced Research and Development Authority (BARDA), which forms part of the US Department of Health and Human Services, to develop the new BAL30072 antibiotic against multiple drug-resistant, gramme-negative pathogens. The partnership could net Basilea up to USD 89 million. Furthermore, data from phase-I trials and pre-clinical modelling for Basilea's anti-cancer agent

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BAL101553 show that the drug is well tolerated, and indicate tumour-fighting activity in models for treatment-resistant breast cancer.

Basilea's market capitalisation rose by 75 percent during the reporting year. HBM Healthcare Investments took the rising share price as an opportunity to reduce its substantial holding by around half, to 12 percent of the company. The stake in Basilea contributed some CHF 97 million (including dividend) to the overall result.

Ophthotech Corporation conducted a USD 175 million private financing round in May 2013. An additional USD 250 million in new capital was raised in an IPO in September 2013 and a further capital increase in February of this year. The company thus has sufficient financing to conduct the broad-based phase-III trial of its Fovista™ compound, which is being tested in combination with a range of anti-VEGF therapies to treat age-related macular degeneration. The initial findings of the study are expected in 2016. Going public made Ophthotech's value-generation potential visible to investors. The company's share price rocketed by 588 percent during the reporting year, generating a book profit of CHF 92 million for HBM Healthcare Investments.

Pacira Pharmaceuticals increased revenues from its long-acting analgesic Exparel™ steadily from quarter to quarter, to achieve sales of USD 76 million for calendar 2013. It went on to report Exparel™ sales of USD 34 million for the first quarter of 2014 alone. At the end of March 2014, the company received FDA approval for a second production plant, which will raise manufacturing capacity for Exparel™ to USD 400 million in sales annually. Pacira is already planning the next step in expanding production capacity to USD 700 million, and has entered into a strategic partnership with Patheon to this end. Pacira's share valuation rose by 142 percent during the reporting year, which contributed CHF 60 million to the HBM Healthcare Investments result.

British company **Skyepharma** made significant progress during the year under review, and laid the groundwork for its turnaround. The market launch of asthma compound Flutiform® in Europe got off to a successful start. Skyepharma's distribution partner has also been granted approval for the Japanese market. In addition, GlaxoSmithKline received EU and US approval for a number of inhalation products – Breo™, Anoro™ und Relvar™ – from which Skyepharma will earn significant royalties. At the end of March 2014, the company announced a capital increase of GBP 112 million, and a redemption offer for its outstanding convertible bond. The completion of this transaction will turn Skyepharma into a virtually debt-free enterprise with a first-class profitability outlook.

During the financial year just ended, HBM Healthcare Investments acquired GBP 50 million (par value) of the Skyepharma bond issue on attractive terms on the market, and doubled its equity stake in the company to just under 25 percent. Progress on the operational front sent Skyepharma's market capitalisation soaring by 416 percent during the reporting year, and the

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market value of the convertible bond also recovered. These equity and bond holdings generated a book profit of CHF 58 million for HBM Healthcare Investments.

PTC Therapeutics, which specialises in rare hereditary diseases, raised a total of USD 270 million in new capital via its IPO and a further capital increase. The funds are being used for the continued development of the company's principal compound Ataluren®, which is currently being tested in two major phase-III trials for the treatment of Duchenne muscular dystrophy (DMD) and cystic fibrosis (CF) in patients in whom the disorders were caused by nonsense mutations. The findings of these trials are expected in 2015 (DMD) and 2016 (CF). The IPO also revealed some of PTC's value-generation potential to investors. The company's share valuation rose by 118 percent, producing a book profit of CHF 27 million.

Other portfolio holdings made an aggregated CHF 32 million net profit contribution. The value of the Company's principal investment currency, the US dollar, weakened by 6.8 percent against the Swiss franc, which reduced the annual result by just under CHF 40 million.

Interesting new investment in private company in the molecular nuclear medicine sector

In addition to the aforementioned investment in the public portfolio company Skyepharma, HBM Healthcare Investments took the opportunity presented by the positive market environment to participate in a number of IPOs. Holdings in the existing portfolio companies of Ophthotech and PTC, in particular, were increased further as they went public. In addition, HBM Healthcare Investments invested selectively in a small number of attractively valued listed equities.

In the portfolio of private companies, a new investment of CHF 24.5 million was made in the French company Advanced Accelerator Applications (AAA). A further CHF 12 million was dedicated to follow-on financing for existing private portfolio companies. AAA is a fast-growing company that specialises in molecular nuclear medicine. With over 270 employees in Europe, AAA generated sales of EUR 56.6 million (+27% year-on-year) and EBITDA of EUR 14 million (+49% year-on-year) during calendar 2013. Furthermore, AAA is conducting a broad-based phase-III trial of Lutathera®, a compound to treat gastro-entero-pancreatic neuroendocrine tumours (GEP-NET). The product has significant sales potential.

Intact outlook for the healthcare sector and the portfolio

A number of portfolio companies began to show visible signs of their value-generation potential during the past financial year. In many cases, the fulfilment of this potential will depend on the outcome of ongoing clinical trials. Where public companies are concerned, we must also expect occasional market-driven periods of significant share price volatility. Portfolio composition will

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therefore be monitored closely, and optimised on the basis of risk, future value potential, and liquidity considerations.

The quality of the portfolio has continued to mature, and displays a relatively low development risk in terms of the percentage of invested assets.

Demand for new and innovative therapies for unsatisfactory or even untreatable conditions remains high. We are stepping up our activities in fast-growing healthcare markets such as India. We continuously analyse interesting and promising new companies, a small number of which will be accepted into our portfolio. We therefore expect to continue generating an attractive return for our shareholders in the years to come.

Proposal from Alpine Select AG to cancel percentage transfer restrictions

The currently applicable Art. 6 para. 2 of the Articles of Association set out the right of the Board of Directors to withhold approval for the transfer of registered shares if the number of registered shares held by the acquirer exceeds 10% of the aggregate shares registered in the Commercial Register. In its agenda item request dated 11 April 2014, Alpine Select AG proposes amending Art. 6 of the Articles of Association so that the restriction of voting rights is cancelled.

The Board of Directors will put the proposal of Alpine Select on the agenda for the Ordinary Shareholders' Meeting taking place on 20 June 2014 and will announce its position, under careful consideration of the arguments and balancing the interests of all shareholders, latest with the invitation for the Shareholders' Meeting on 27 May 2014.

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Information on HBM Healthcare Investments Ltd

HBM Healthcare Investments invests in the healthcare sector. The Company holds and manages an international portfolio of some 25 promising companies in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. 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 in their strategic direction. This is what makes HBM Healthcare Investments an interesting alternative to investments in big pharma and biotechnology companies. HBM Healthcare Investments has an international shareholder base and is listed on SIX Swiss Exchange (ticker: HBMN).

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Consolidated Balance Sheet (short version)

| (CHF 000) | 31.3.2014 | 31.3.2013 |
|---|----------------|----------------|
| Cash and cash equivalents | 46'490 | 51'691 |
| Other current assets | 623 | 3'351 |
| Total current assets | 47'113 | 55'042 |
| Investments | 849'340 | 512'287 |
| Other non-current assets | 29'236 | 34'655 |
| Total non-current assets | 878'576 | 546'942 |
| Total assets | 925'689 | 601'984 |
| Financial instruments | 0 | 236 |
| Provisions | 3'807 | 0 |
| Other current liabilities | 1'546 | 787 |
| Total current liabilities | 5'353 | 1'023 |
| Shareholders' equity | 920'336 | 600'961 |
| Total liabilities and shareholders' equity | 925'689 | 601'984 |
| Number of outstanding shares (in 000) | 8'462 | 8'793 |
| Net asset value (NAV) per share (CHF) | 108.76 | 68.35 |

Consolidated Income Statement (short version)

| (CHF 000) | 2013/2014 | 2012/2013 |
|---|----------------|---------------|
| Gains / (losses) on investments, net | 354'162 | 74'028 |
| Dividend income | 11'970 | 0 |
| Gains / (losses) from financial instruments, net | 1'556 | 1'571 |
| Gains / (losses) on other financial assets, net | 3'089 | 2'484 |
| Result from investment activities | 370'777 | 78'083 |
| Management fee | -10'205 | -7'873 |
| Performance fee | -3'807 | 0 |
| Administration expenses | -3'260 | -3'380 |
| Financial result, net | 17 | 175 |
| Net result for the year | 353'522 | 67'005 |
| Currency translation differences (reported in shareholders' equity) | 0 | 57 |
| Total comprehensive result | 353'522 | 67'062 |
| Number of outstanding shares, time-weighted (in 000) | 8'627 | 8'914 |
| Basic earnings per share (CHF) | 40.98 | 7.52 |

1) Provision for a performance fee has been made, as the NAV on the balance sheet date has been exceeded the high water mark. However, no payment has been made, as the NAV has not been exceeded the high water mark by 5 percent. The provision will be adjusted according to the development in the new financial year.

| Investments | Investment-currency (IC) | Ownership in % | Fair Value 31.3.2014 (IC million) | Fair Value 31.3.2014 (CHF 000) | Fair Value 31.3.2013 (CHF 000) |
|---------------------------------|---------------------------------|-----------------------|--|---------------------------------------|---------------------------------------|
| <u>Private companies</u> | | | | | |
| Cathay Industrial Biotech | USD | 12.6% | 28.0 | 24'769 | 26'578 |
| AAA | EUR | 6.1% | 20.0 | 24'360 | 0 |
| Interventional Spine | USD | 31.1% | 17.0 | 14'999 | 16'095 |
| Tensys Medical | USD | 100.0% | 12.9 | 11'367 | 9'445 |
| Nabriva Therapeutics | EUR | 12.3% | 7.9 | 9'636 | 15'890 |
| Ellipse Technologies | USD | 25.2% | 9.3 | 8'185 | 7'597 |
| Medimpulse Holding | USD | 20.7% | 8.3 | 7'337 | 7'873 |
| Delenex Therapeutics | CHF | 14.3% | 6.0 | 6'041 | 4'771 |
| Probiodrug | EUR | 9.9% | 5.0 | 6'030 | 5'537 |
| Westmed Holding | USD | 21.7% | 6.5 | 5'740 | 3'275 |
| Paratek Pharmaceuticals | USD | 9.6% | 5.4 | 4'810 | 0 |
| Kolltan | USD | 2.7% | 4.4 | 3'891 | 2'701 |
| MiCardia | USD | 11.5% | 3.7 | 3'252 | 4'068 |
| Other investments | | | | 8'963 | 12'171 |
| Total private companies | | | | 139'380 | 116'001 |
| <u>Funds</u> | | | | | |
| Total Funds | | | | 79'419 | 80'792 |
| <u>Public companies</u> | | | | | |
| Basilea Pharmaceutica | CHF | 12.0% | | 124'357 | 137'656 |
| Ophthotech | USD | 10.9% | | 114'879 | 15'622 |
| Pacira Pharmaceuticals | USD | 5.0% | | 103'228 | 61'198 |
| Skyepharma Bond | GBP | | | 84'106 | 0 |
| Skyepharma | GBP | 24.9% | | 40'691 | 3'338 |
| PTC Therapeutics | USD | 8.1% | | 56'456 | 20'976 |
| Swedish Orphan Biovitrum | SEK | 0.8% | | 21'831 | 8'529 |
| Enanta Pharmaceuticals | USD | 2.7% | | 17'688 | 24'911 |
| Aegerion | USD | 1.0% | | 12'255 | 96 |
| Genmab | DKK | 0.4% | | 8'319 | 220 |
| Morphosys | EUR | 0.3% | | 6'886 | 97 |
| Lpath | USD | 9.0% | | 5'637 | 2'903 |
| Regado Biosciences | USD | 1.7% | | 4'430 | 0 |
| Actavis | USD | 0.0% | | 3'642 | 0 |
| Oxford Immunotec | USD | 1.2% | | 3'551 | 0 |
| ChemoCentryx 2) | USD | | | 0 | 25'318 |
| Other investments | | | | 22'585 | 14'630 |
| Total public companies | | | | 630'541 | 315'494 |
| Total investments | | | | 849'340 | 512'287 |

2) The investment was sold during the period under review.