

## Media Release

Zug, 31 October 2014

### **HBM Healthcare Investments Quarterly Report September 2014**

HBM Healthcare Investments made a profit of CHF 67.9 million during the quarter under review, and a total of CHF 116.2 million for the first half of the 2014/2015 financial year. The net asset value (NAV) per share rose by 7.6 percent to CHF 121.32 during the second quarter of the financial year, ending 30 September 2014. The share price closed the period virtually unchanged at CHF 84.25. Factoring in the cash dividend of CHF 3.00 per share, this represents a total increase for shareholders of 14.3 percent in NAV and 15.6 percent in the share price for the first six months of the current financial year.

#### **Significant events at portfolio companies**

Contributing around CHF 145 million, the major public holdings were the main drivers of the positive first-half result. The largest share of this was generated by Skyepharma (profit contribution of CHF 51 million, share price up 37 percent in local currency terms). The half-year results published at the end of August revealed the good profitability and growth prospects of this almost debt-free company.

The share price of Pacira Pharmaceuticals (profit contribution of CHF 44 million, share price up by 38 percent) rose to over USD 96 during the quarter just ended. This is around 14 times its issue price of USD 7 at its February 2011 IPO. Growth in sales revenues from the company's Exparel™ painkiller remains as strong as ever. These revenues came in at USD 44.9 million in the second calendar quarter of 2014, compared with USD 15.2 million for the same quarter in 2013.

In early August, the European Medicines Agency granted PTC Therapeutics' drug Translarna™ (profit contribution of CHF 41 million, share price up by 68 percent) conditional marketing authorization to treat nonsense mutations caused by Duchenne muscular dystrophy (nmDMD). The company's share price soared as a result.

In line with our principle of cautious valuation, we adjusted the book values of our holdings in private companies Cathay Industrial Biotech (down CHF 11 million) and Interventional Spine (down CHF 3.6 million). These reductions were made in view of stagnating operating development, rising levels of debt, and delays to alliances and financing rounds.

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Meanwhile, the pleasing business performance of Ellipse Technologies prompted us to increase the company's valuation by CHF 9 million. Its sales revenues have been boosted further by US approval for Magec™, a magnetically adjustable system to treat spinal deformities in young children. The company expects its two approved products to generate sales of over USD 20 million for the current calendar year. Even after adjustment, a conservative implicit enterprise value of less than USD 70 million still offers plenty of value growth potential for the future.

On aggregate, the private companies portfolio and the portfolio of funds closed with a break-even result.

### Outlook

A number of firms in the private companies portfolio as well as in the funds portfolio are currently targeting an IPO or have already successfully completed it. The shares of the Danish company Forward Pharma (indirectly held through the Nordic Biotech Fund) started trading on the US stock exchange NASDAQ on 16 October 2014 and the German company Probiodrug accomplished its IPO on the Euronext Stock Exchange in Amsterdam on 27 October 2014. Paratek Pharmaceuticals is expected to complete its merger with the listed company Transcept as at the end of October 2014. Further, Kolltan Pharmaceuticals also announced its intention to go public.

In recent months, HBM Healthcare Investments has been working hard on a number of new investments in private companies and expects to close some of these deals in the course of the current business year.

HBM Healthcare Investments is also planning to start a new share buy-back programme via a second trading line during the last three months of calendar 2014. The reasons for this are twofold: to benefit from the persistently high share price discount relative to net asset value and, as communicated on a number of occasions, to return capital to shareholders via a combination of share repurchases and cash dividends.

In fundamental terms, most portfolio companies are progressing as planned, leading HBM Healthcare Investments to anticipate a further rise in their value. However, it is expected that market volatility will increase, which may result in major fluctuations in the value of public companies. Ultimately, this may also impact the net asset value.

The online version of the Quarterly Report as at 30 September 2014 is available on the HBM Healthcare Investments Ltd website [www.hbmhealthcare.com](http://www.hbmhealthcare.com).

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### Information on HBM Healthcare Investments Ltd

HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors, and related areas. The company holds and manages an international portfolio of some twenty five promising companies. Many of these companies have their lead products at an advanced stage of development or already available on the market. The focus of investment is on follow-on financing for existing portfolio companies. These 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).

### Disclaimer

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