

Zug, June 2015

Dear Shareholders
Ladies and Gentlemen

Enclosed you will find your invitation to the Ordinary Shareholders' Meeting on 26 June 2015. Following our record result in the previous year, I am delighted to report that 2014/2015 was another very good year, in which we posted a profit of CHF 257.5 million.

Performance ¹⁾	10/11	11/12	12/13	13/14	14/15	Cum. 3 years	Cum. 5 years
NAV	-6.6%	-1.9%	13.2%	61.3%	32.0%	140.2%	120.0%
Share price	-9.9%	-7.0%	23.7%	50.0%	47.0%	171.1%	127.3%
Dividend (CHF)	-	-	1.50	3.00	5.50 ²⁾	10.00	10.00

1) Including cash dividends

2) Proposal submitted by Board of Directors to the Ordinary Shareholders' Meeting

I was particularly pleased – also as a shareholder – with the ongoing positive trend in the net asset value development and the share price increase, with performance once again strong. The Board of Directors and Management of HBM Healthcare Investments remain confident with regard to the coming years. Please see our informative Annual Report for more details.

You, the shareholders, should participate in these good results. At the Ordinary Shareholders' Meeting, the Board of Directors will propose a cash dividend of CHF 5.50 per share, which equates to a yield of 5%. This will require around CHF 42 million in liquidity, in addition to the CHF 104 million used in the past financial year for share buy-backs and the cash dividend of CHF 3 per share.

Board of Directors recommends that the Laxey Partners motion be rejected

The hedge fund manager Laxey Partners Ltd, which is based on the Isle of Man, recently submitted a motion calling for a capital reduction by way of a par value repayment of CHF 10 per share, this in addition to the cash dividend proposed by the Board. No reasons have been given for this motion. Acceptance of this motion would result in a further cash outflow of CHF 77 million for HBM Healthcare Investments. According to its own statement, Laxey holds 17,200 shares (a 0.22% stake) in HBM Healthcare Investments, which are entered in the register of shareholders.

The Board of Directors recommends that you reject the Laxey Partners motion for the following reasons:

HBM Healthcare Investments Ltd

Bundesplatz 1, P.O. BOX 1145, CH-6300 Zug | Tel: +41 41 768 11 08 | Fax: +41 41 768 11 09 | info@hbm-healthcare.com www.hbmhealthcare.com

- The Board of Directors firmly believes that the sustainable management and development of the portfolio hinges on having a dividend policy that is in line with the Company's profit and liquidity situation. This is essential to deliver the returns you expect. High and unplanned capital repayments can result in investments having to be sold prematurely and below their expected value. The Board of Directors is convinced that this is clearly not in the interests of the majority of shareholders, who want to use their investment in HBM Healthcare Investments to participate over the long term in the exceptional value creation of the healthcare sector.
- Implementing the investment strategy of HBM Healthcare Investments with holdings in private enterprises and a few large core positions requires that the Company has a certain size and financial power. This in turn gives it the necessary ability to act when occasions occur and take on calculated risk. Having adequate liquid reserves is the only way to ensure that we have sufficient funds available at all times to cover the necessary financing requirements of the portfolio companies. In the case of companies that develop successfully, the position can also be expanded strategically as opportunities arise (e.g. in pre-IPO financing rounds at attractive valuations; as an anchor shareholder in an IPO; in follow-on financing rounds, or in the event of temporary share price declines following the IPO, etc.) – this being in keeping with a “back the winners” strategy. The examples of Pacira Pharmaceuticals, Skyepharma, Basilea Pharmaceutica, Enanta Pharmaceuticals, PTC Therapeutics, Ophthotech Corporation, and Paratek Pharmaceuticals over the past three years clearly illustrate that this can deliver value growth well in excess of the average.
- Given that our shares are listed and traded, every shareholder is able to sell shares at any time to generate liquidity, should their specific circumstances so require. A closer inspection of performance over the past five years – during which period the majority of our current shareholders acquired their positions – shows that the development of the share price has certainly been in line with net asset value.

Growth, yield, value

The broadly diversified and mature portfolio is positioned for further growth in value. Some of the companies are in a decisive phase in the value-creation cycle, and experience shows that above-average returns are generated when the corresponding milestones are reached.


The cash dividend proposed by the Board of Directors of CHF 5.50 per share, to be paid from reserves for capital brought in, will result in a yield of more than 5% for shareholders. This is very attractive against the current backdrop of low interest rates. I will also continue to do my utmost in future to ensure that you enjoy appropriate dividends as the Company's business performance allows.

The much criticised discount of the share price to the net asset value is unjustified in the Board of Director's view. However, it also has its upside in that it gives our investors a safety buffer for the setbacks that may be suffered by portfolio companies in the research and development of drugs.

Significant growth, above-average yield, and solid value – only few companies can offer this in the current stock market environment.

In closing, I can only reiterate my words from last year. We are well established as a company, have a close network of contacts within the industry, and as before we are engaged with and support all of the projects that we finance with your money. The portfolio has continued to mature in terms of its quality and is excellently positioned. I firmly believe that it will be able to continue generating attractive returns for you, our shareholders, in the future. On behalf of the Board of Directors, I would like to thank you for your faith in us, and look forward to your continued confidence in the future.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Hans Peter Hasler', written in a cursive style.

Hans Peter Hasler
Chairman of the Board of Directors