

Media Release

Zug, 18 May 2016

HBM Healthcare Investments closes financial year 2015/2016 with earnings of CHF 23 million despite a negative market environment. Unchanged cash dividend of CHF 5.50 per share.

HBM Healthcare Investments bucked the market trend to close the 2015/2016 financial year in profit, thereby validating the success of its investment strategy. Despite the corrections on the financial markets, the long-term value creation potential of the healthcare market remains intact. The Board of Directors is thus proposing an unchanged cash dividend of CHF 5.50 per share.

Review of the 2015/2016 financial year

HBM Healthcare Investments generated a profit of CHF 23 million in the financial year ended 31 March 2016. Factoring in the cash dividend of CHF 5.50 per share, net asset value (NAV) per share rose by 3.6 percent to CHF 140.23. The share price slipped by 2.8 percent to close at CHF 99.45. Meanwhile, after around three years of rising valuations, the healthcare sector saw a significant correction: The MSCI World Health Care Index and NASDAQ Biotechnology Index plummeted by 9.1 and 25.0 percent respectively during the reporting period (total return, in CHF).

The success of HBM Healthcare validates its investment strategy. The company invests a significant share of the funds in private companies, while making the most of opportunities in the public segment. The portfolio composition – comprising more mature companies, those in the later stages of clinical development and a small number of firms in the early phases of development – proved its strategic worth during the period under review.

With the sale of Ellipse Technologies (profit contribution of CHF +93 million incl. indirect investment via the MedFocus Fund), the Advanced Accelerator Applications IPO (CHF +78 million / share price

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+119% in local currency since launch) and the Cathay Industrial Biotech financing round (CHF +29 million), the portfolio of private companies and funds contributed around CHF 190 million in value.

Among the public companies, Skyepharma (profit contribution of CHF +49 million / share price +45% in local currency) benefited from the mid-March 2016 announcement that it is to be acquired by the Vectura Group. Our holdings in Receptos (CHF +18 million / +41%) and ZS Pharma (CHF +12 million / +114%) also profited from takeovers, while the value of Genmab (CHF +18 million / +74%) rose on the strength of accelerated approval for its DARZALEX® cancer treatment and further convincing trial data.

The year was not without its disappointments, however. PTC Therapeutics (CHF -43 million / share price -89%) announced that the US Food and Drug Administration had rejected its application for the approval of Translarna™ to treat Duchenne muscular dystrophy. Determined in part by the overall market, there was a drop in the value of our holdings in Esperion Therapeutics (CHF -44 million / -82%), Pacira Pharmaceuticals (CHF -39 million / -40%), Paratek Pharmaceuticals (CHF -26 million / -51%) and Incyte Corporation (CHF -12 million / -21%), in particular.

Despite the positive profit for the year (CHF +23 million), the cash dividend (CHF -42 million) and share buybacks (CHF -35 million) reduced net assets slightly to CHF 1.02 billion. With debt accounting for less than 10 percent of net assets, and liquidity of over CHF 100 million, HBM Healthcare Investment continues to display an extremely sound financial structure.

Abridged versions of the consolidated balance sheet and the statement of income for the 2015/2016 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 on 30 May 2016.

Six new investments in private companies

During the reporting year HBM Healthcare Investments invested CHF 45 million in follow-on financing for private companies already held in the portfolio, and CHF 48 million in six new private portfolio companies which operate in a range of therapeutic areas.

- AnaptysBio from San Diego has an interesting technology platform for the development of antibodies for therapies for inflammatory diseases and in immuno-oncology. HBM Healthcare Investments invested USD 7 million.
- ARMO Biosciences, a Redwood City-based immuno-therapeutics company focusing on oncology, received USD 10 million.

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- Eiger BioPharmaceuticals in PaloAlto, has a diversified portfolio of compounds undergoing phase II clinical trials to address four orphan diseases. Eiger received USD 10 million as part of the reverse merger with publicly listed Celladon in March 2016.
- San Francisco-based Iconic Therapeutics is conducting a phase IIa study on a promising molecule for the treatment of age-related macular degeneration. The company was granted USD 7.5 million.
- ObsEva in Geneva is developing a clinical pipeline in the female reproductive health field. As part of a syndicate, HBM Healthcare Investments invested CHF 10 million in this Swiss company.
- SAI Life Sciences in Hyderabad, India is active internationally in the synthesis of complex pharmaceutical compounds and in medicinal chemistry. It is already profitable. This first private direct investment by HBM Healthcare Investments in India amounts to USD 4 million.

In addition, HBM Healthcare Investments increased its portfolio allocation in the growing Chinese healthcare market, with a capital commitment of USD 20 million to the WuXi Healthcare Ventures Fund II.

Cash dividend unchanged

The Board of Directors remains with a positive view of the growth prospects of the healthcare sector and the value potential of the HBM Healthcare Investments portfolio. The Company's target for its long-term mean annual return remains around the double-digit percentage range, a significant share of which will be returned to shareholders in the form of cash dividends and share buy-backs.

With this in mind, despite the lower profit for the year, the Board of Directors will propose to the Ordinary Shareholders' Meeting that an unchanged cash dividend of CHF 5.50 per share be paid from the reserve for capital brought in. Based on the share price at the end of March 2016, this corresponds to a return of 5.5 percent.

Outlook

The conditions for long-term value creation in the healthcare sector in general, and for HBM Healthcare Investments in particular, remain intact. Population growth, demographic shifts and the need for new therapies continue to be the most important drivers of growth. Furthermore, M&A activity involving companies with products that are unique on the healthcare market is likely to stay high.

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The elevated financial market volatility that has been observed in recent months is likely to persist. HBM Healthcare Investments will use short-term market weakness selectively to add to its holdings in public companies.

The next 12 to 18 months will hold a series of significant events for the companies currently in our portfolio. The sum total of these is likely to have a positive effect on portfolio value, and thus on the net asset value of the HBM share.

- Advanced Accelerator Applications is expecting US market approval for its Lutathera® preparation for cancer in the fourth quarter of 2016.
- Ophthotech will present its eagerly-awaited initial phase III study data on Fovista™ for the treatment of age-related macular degeneration towards the end of 2016.
- Paratek Pharmaceuticals will publish its initial phase III study results on its omadacycline antibiotic at the beginning of the second half of 2016.
- Vectura Group is expected to complete its acquisition of Skyepharma in the third quarter of 2016. The case for investing in the combined company continues to be supported by rising sales and licensing revenues, as well as FDA-approval for a generic form of the blockbuster asthma drug Advair, which is expected in mid-2017.

A number of other portfolio companies, including newcomers Eiger BioPharmaceuticals and Iconic Therapeutics, are expected to publish clinical data over the next twelve months. Even amid ongoing market volatility, the portfolio can be expected to produce acquisitions and IPOs which will result in further value growth.

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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)

| | 31.3.2016 | 31.3.2015 |
|---|------------------|------------------|
| Cash and cash equivalents | 104'823 | 140'381 |
| Receivables | 209 | 186 |
| Financial instruments | 10'005 | 0 |
| Total current assets | 115'037 | 140'567 |
| Financial instruments | 0 | 15'840 |
| Investments | 976'575 | 1'021'529 |
| Other financial assets | 31'050 | 13'244 |
| Total non-current assets | 1'007'625 | 1'050'613 |
| Total assets | 1'122'662 | 1'191'180 |
| Financial instruments | 0 | 63'470 |
| Provisions | 0 | 50'414 |
| Other short-term liabilities | 3'821 | 3'107 |
| Total short-term liabilities | 3'821 | 116'991 |
| Long-term financial liabilities | 98'908 | 0 |
| Total long-term liabilities | 98'908 | 0 |
| Shareholders' equity | 1'019'933 | 1'074'189 |
| Total liabilities and shareholders' equity | 1'122'662 | 1'191'180 |
| Number of outstanding shares (in 000) | 7'273 | 7'640 |
| Net asset value (NAV) per share (CHF) | 140.23 | 140.60 |

Consolidated Income Statement (short version)

(CHF 000)

| | 2015/2016 | 2014/2015 |
|--|---------------|----------------|
| Net results on investments | 50'145 | 311'522 |
| Dividend Income | 36 | 105 |
| Result from currency hedging transactions | -14'592 | 15'840 |
| Result from market hedging transactions | 1'436 | -18'659 |
| Gains from other financial instruments | 2'711 | 10'469 |
| Losses from other financial instruments | -650 | -431 |
| Gains on other financial assets | 4'806 | 4'655 |
| Losses on other financial assets | -2'215 | -3'260 |
| Result from investment activities | 41'677 | 320'241 |
| Management fee | -13'663 | -12'448 |
| Performance fee | 0 | -46'607 |
| Administration expenses | -2'841 | -3'396 |
| Financial result, net | -2'084 | -279 |
| Net result for the year | 23'089 | 257'511 |
| Total comprehensive result | 23'089 | 257'511 |
| Number of outstanding shares, time-weighted (in 000) | 7'550 | 7'930 |
| Basic earnings per share (CHF) | 3.06 | 32.47 |

| Investments | Investment-currency (IC) | Ownership | Fair Value 31.3.2016 (IC million) | Fair Value 31.3.2016 (CHF 000) | Fair Value 31.3.2015 (CHF 000) |
|--------------------------------|--------------------------|-----------|-----------------------------------|--------------------------------|--------------------------------|
| Private companies | | | | | |
| Cathay Industrial Biotech | USD | 9.5% | 43.9 | 42'175 | 13'618 |
| Tensys Medical | USD | 99.6% | 18.5 | 17'745 | 15'223 |
| Westmed Holding | USD | 21.9% | 12.4 | 11'959 | 6'666 |
| ObsEva | CHF | 8.0% | 10.0 | 10'000 | 0 |
| ARMO Biosciences | USD | 4.4% | 10.0 | 9'618 | 0 |
| Vascular Dynamics | USD | 15.8% | 8.0 | 7'694 | 3'891 |
| Iconic Therapeutics | USD | 7.8% | 7.5 | 7'214 | 0 |
| AnaptysBio | USD | 5.6% | 7.0 | 6'733 | 0 |
| Interventional Spine | USD | 33.1% | 5.9 | 5'662 | 5'726 |
| Kolltan | USD | 2.8% | 5.0 | 4'802 | 4'856 |
| SAI Life Sciences | INR | 6.3% | 256.4 | 3'722 | 0 |
| Ellipse Technologies 1) | USD | 0.0% | 0.0 | 0 | 25'710 |
| Other investments | | | | 13'773 | 17'269 |
| Total private companies | | | | 141'097 | 92'959 |
| Funds | | | | | |
| Total funds | | | | 158'430 | 145'987 |
| Public companies | | | | | |
| | | | <u>△ chg. shares FY 15/16</u> | | |
| Skyepharma 2) | GBP | 28.5% | 206'575 | 181'951 | 131'589 |
| AAA | p) USD | 9.1% | 992'611 | 117'639 | 26'095 |
| Pacira Pharmaceuticals | p) USD | 3.0% | 0 | 56'052 | 95'067 |
| Genmab | DKK | 0.5% | -6'500 | 40'324 | 22'578 |
| Incyte | USD | 0.2% | 304'500 | 28'996 | 9'941 |
| Nabriva Therapeutics | p) USD | 15.0% | 1'963'280 | 25'586 | 8'406 |
| Ophthotech | p) USD | 1.7% | -447'000 | 24'515 | 47'523 |
| Paratek Pharmaceuticals | p) USD | 9.3% | -124'518 | 23'983 | 53'767 |
| Neurocrine Biosciences | USD | 0.5% | 297'000 | 17'346 | 6'142 |
| Relypsa | USD | 2.5% | 867'500 | 13'358 | 5'526 |
| Probiodrug | p) EUR | 6.5% | -235'344 | 12'762 | 14'260 |
| Esperion Therapeutics | USD | 3.3% | 188'812 | 12'198 | 50'547 |
| Bluebird Bio | USD | 0.8% | 285'300 | 11'785 | 352 |
| Eiger BioPharmaceuticals | p) USD | 8.7% | 603'819 | 9'739 | 0 |
| Vertex Pharmaceuticals | USD | 0.0% | 98'000 | 8'181 | 1'033 |
| Coherus Biosciences | USD | 0.9% | 162'900 | 7'410 | 5'949 |
| Medivation | USD | 0.1% | 159'500 | 7'407 | 502 |
| Oxford Immunotec | USD | 3.2% | 204'500 | 6'815 | 6'992 |
| Eagle Pharmaceuticals | USD | 1.1% | 170'000 | 6'622 | 0 |
| Ultragenyx Pharmaceutical | USD | 0.3% | 98'000 | 6'272 | 302 |
| Mirati Therapeutics | USD | 1.4% | 264'157 | 5'437 | 0 |
| Anacor Pharmaceuticals | USD | 0.2% | 99'000 | 5'346 | 281 |
| PTC Therapeutics | p) USD | 2.5% | -125'558 | 5'203 | 57'147 |
| Other investments | | | | 42'121 | 238'584 |
| Total public companies | | | | 677'048 | 782'583 |
| Total investments | | | | 976'575 | 1'021'529 |

1) This investment was sold during the period under review.

2) The company is being acquired by Vectura. The fair value reflects the 15.86% of shares that are going to be offered to the purchaser at a price of GBP 4.1015 per share in cash.

p) The position originates from the private companies portfolio.