

Media Release

Zug, 25 October 2017

HBM Healthcare Investments Half-Year Report September 2017

In the first six months of the 2017/2018 financial year, HBM Healthcare Investments earned a profit totalling CHF 13.6 million. This positive half-year result is the product of a strong second quarter, when the Company earned a profit of CHF 85.6 million, thus more than making up for the decline in the first quarter. As a result, net asset value (NAV) rose by 8.9 percent between 1 July and 30 September, which meant an advance of 1.5 percent for the first half overall. After progressing by 1.8 percent during the second quarter, the share price gained a total of 9.2 percent over the first six months of the financial year.

Portfolio

The most significant factor in the upbeat result for the quarter was public portfolio company Advanced Accelerator Applications (AAA). As its share price surged by 73 percent, this largest holding in the HBM Healthcare Investments portfolio contributed CHF 77.2 million to profits. AAA was granted EU approval for Lutathera[®], for the treatment of neuroendocrine tumours, at the end of September. A decision on approval for the USA will be made at the end of January 2018. In view of the sharp increase in value, around 20 percent of our shareholding was sold via the market during the second quarter. As at the end of September 2017, the Company's stake in AAA accounted for 14.8 percent of net assets.

There was also good news from Nabriva Therapeutics: its first phase III trial of intravenous administration of the lefamulin compound to treat community-acquired pneumonia achieved its primary endpoint. Data from the second phase III study, involving the oral administration of the compound, are expected in the spring of 2018.

The fund portfolio produced a net cash inflow of CHF 41 million during the quarter just ended, CHF 32.2 million of which came from Nordic Biotech as it distributed the proceeds of the capital repayment by Forward Pharma. There were further distributions from Galen Partners (CHF 3.7m), BioMedInvest (CHF 3.1m) and BioVeda China (CHF 3.1m).

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Eight new investments in private companies

There were no fewer than eight new additions to the portfolio of private companies in the second quarter of the financial year. HBM Healthcare Investments invested a total of CHF 65 million, most of which went to two mature companies with a comparably low level of clinical development risk. US-based Harmony Biosciences received USD 30 million, while the US/Danish company Y-mAbs received USD 20 million.

Harmony Biosciences purchased the US rights to the pitolisant compound from French company Bioprojet. Pitolisant is sold under the trade name Wakix®, and is approved in the EU to treat narcolepsy in adults. Harmony intends to continue developing the drug in the USA with a view to its registration and marketing. Y-mAbs develops new immunotherapies to treat cancer in children. In early April 2017, the company published the positive results of a pivotal study of its burtomab compound.

HBM Healthcare Investments also acquired minor holdings in a further six early-stage companies. Amphora Medical develops medical devices for the treatment of overactive bladder. An initial tranche of USD 2.2 million of a total commitment of USD 7.5 million has already been paid in. Shape Memory Medical is developing an implant to treat vascular and neuro-vascular embolisation. Half of the agreed USD 6 million has been paid in to date. Complexa is conducting clinical phase II studies on the treatment of fibrosis and rare inflammatory diseases. Here, too, half of the total investment of USD 6 million has been paid in so far. Homology Medicines, which is developing a gene therapy platform, benefited from USD 4 million in capital from HBM Healthcare Investments, while Valcare Medical and BaseHealth each received USD 2.5 million. Valcare is developing medical devices for mitral valve replacements, while BaseHealth is working on data analysis solutions to optimise cost and risk in the healthcare system.

A further CHF 7 million was invested in existing portfolio companies in the context of follow-on financing rounds. The acquisition by Bioverativ of True North Therapeutics, announced in May, was completed during the quarter just ended.

Portfolio rebalancing and partial hedge

The 12 new investments in private companies that were made in the first half of the financial year, as well as the capital repayments from investment funds, resulted in a shift in HBM Healthcare Investments' asset allocation. The proportion of direct investments in private companies rose from 10 to 19 percent of assets, while the share accounted for by investment funds contracted from 13 to 10 percent. Profit-taking resulted in a modest reduction in the share of public companies, from 67 to 63 percent.

HBM Healthcare Investments is targeting a further increase in the allocation of private companies and funds over the coming 12 to 24 months, by means of new investments and follow-on financing rounds. With this in mind, in addition to the general rise in stock exchange valuations, the monetary

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policy reversal that has been initiated in the USA, and the Fed's efforts to trim its balance sheet, we believe it appropriate to continue hedging around a fifth of the exposure of our public companies portfolio.

Outlook

HBM Healthcare Investments does not believe that the run on the equity markets will maintain its current momentum. The portfolio is well prepared for this type of market environment, however. Taking the market hedge into account, it comprises approximately 50 percent public companies, and 50 percent soundly financed private companies, investment funds, claims to milestone payments, and cash and cash equivalents.

Where the two major holdings are concerned, HBM Healthcare Investments expects Advanced Accelerator Applications to be awarded the aforementioned US approval for the Lutathera[®] cancer compound, and Vectura to release information on the next steps in securing approval for the generic version of Advair in the USA. Furthermore, a number of private and public companies will present the results of ongoing clinical trials, which will gradually validate and consolidate the intrinsic value and potential of these companies.

The HBM Healthcare Investments portfolio companies are on a sound financial footing, supported by experienced and financially strong investor syndicates. Their current development programmes or commercial activities also put them in a good position fundamentally. This means that, sooner or later, they will become attractive takeover targets for strategic partners, or candidates for an IPO – a move which typically releases many years of accumulated added value.

The Half-Year Report as at 30 September 2017 is available on the HBM Healthcare Investments Ltd website 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 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).

Disclaimer

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