

LSP Life Sciences Fund N.V.

Annual Report 2015

LSP
Life Sciences Partners

LSP LIFE SCIENCES FUND N.V.

Annual Report

2015

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PROFILE

General information

LSP Life Sciences Fund N.V. (the Fund) is a public company with the status of an investment company with variable capital organised and established under the laws of the Netherlands on 18 April 2011. The Fund has its statutory seat in Amsterdam, the Netherlands and is registered at the Trade Register of the Chamber of Commerce in Amsterdam under file number 52545474. The Fund is an open-end investment fund listed on Euronext Amsterdam. The Fund qualifies as a tax-exempt investment fund within the meaning of article 6a of the Dutch corporate income tax act. Accordingly, the Fund is not subject to Dutch corporate income tax.

Investment strategy

The Fund's primary investment objective is to achieve capital appreciation by investing in a diversified, yet concentrated portfolio of publicly listed life sciences companies (including biopharmaceutical, specialist pharmaceutical, medical device, drug delivery, vaccine and diagnostic companies). The majority of the Fund's portfolio will consist of European companies listed on one of the (main) European stock exchanges, with a market capitalization of below Euro 2.5 billion at the time of investment. The Fund Manager believes that in particular this sub-segment of companies – generally referred to as the small- and midcap segment – offers great potential for value growth. Typically, these companies will have developed a suite of innovative technologies that offer benefit over existing technologies and approaches. In addition, these companies have frequently established a product development pipeline that consists of therapeutics that have the potential to offer clinical benefit to a large and/or underserved market. The Fund intends to specifically target those companies that are projected to realize important clinical, regulatory or commercial milestones, value-enhancing partnerships and/or offer M&A potential. By doing so, the Fund expects to benefit from the value increases that frequently accompany the announcement of such milestones, partnerships or M&A transactions.

Sustainable and responsible investing (SRI)

Sustainable and responsible investing means giving due consideration to environmental, social and governance (ESG) investment risks and opportunities – the pillars of the Sustainability model. The Fund uses these Sustainability measures, combined with more traditional methods of financial and company evaluation methods, to identify the very best investment opportunities.

The due diligence process of the Fund is structured and well-validated in the selection of companies with the 'best-in-class' approach within sub-sectors of our target market. On a macro level, an assessment is performed of the key need for the products which are the core assets of the company, the competitive environment in which the companies operate as well as of potential future developments which may impact the sustainability of the company's approach. On a company specific level, the key medical benefits of each of the products within the portfolio and their potential social and environmental impact are analysed. Furthermore the quality of management and their approach to corporate governance issues which may impact the company's reputation and investor confidence are reviewed as part of the due diligence process.

By focusing on sustainable investments in life sciences companies, the Fund believes that its investments help to support the development of all manner of medical innovation which could promote a better quality of life and increase life expectancy. In developing drugs, vaccines and other solutions for unmet medical needs or expanding the availability of medications, companies within the life sciences sector help to keep people healthier for longer, thereby improving productivity through reduced sick leave and reducing the burden on the healthcare system and society.

Fund Governance

The Fund is managed by LSP Advisory B.V. as sole managing director of the Fund. LSP Advisory B.V. is a wholly owned subsidiary of LSP Advisory Group B.V.

The Fund Manager is responsible for the entire management of the Fund in accordance with the provisions of the Fund's organizational documents and applicable laws. The investment team of the Fund Manager consists of three individuals - Mark Wegter, Joep Muijers and Geraldine O' Keffe – who have complementary investment skills and backgrounds relevant to the Fund's business.

The investment team receives full support from the in-depth industry knowledge of the entire cross-Atlantic and pan-European LSP organization. The Fund Manager is further supported by LSP's established, global network of advisors and experts who bring specific expertise essential for performing in-depth due diligence on potential and existing investee companies.

The Fund Manager has been granted a license pursuant to Article 2:65 of the Dutch Financial Markets Supervision Act (Wft) by the Authority for the Financial Markets on 12 April 2011.

The Supervisory Board of the Fund comprises Pauline Bieringa and Onno Paymans, both having relevant expertise on the Fund's business. The principal duties and responsibilities of the Supervisory Board include (i) the supervision of the management of the Fund as performed by the Fund Manager as well as to supervise the general course of affairs of the Fund, and (ii) resolving any conflict of interest situation the Fund is involved in.

DIRECTORS' REPORT

Investment Performance

As per the end of December 2015, the Fund has been operational for over four and one-half years and has shown strong performance over that period. Having launched the fund in May 2011 at Euro 100.00 a share, we have made a suite of investments since. Again, as we have also seen in 2014, a number of these investments have achieved major value increasing milestones during the past six months. As a result, the Net Asset Value per share moved from Euro 184.21 as at 31 December 2014 to Euro 211.92 (plus 15.0%) as at 31 December 2015. The Fund recorded a profit for the period of Euro 10.3 million compared to Euro 21.3 million in the prior year. As outlined in the prospectus, the Fund aims to provide absolute return for its investors. The Fund Manager is of the opinion that there is no proper benchmark available, which can be used to evaluate the Fund's performance. Therefore, no comparative benchmark data is presented in this report. Importantly, we focus to a lesser extent on short term investment opportunities and remain true to our strategy of building a balanced portfolio with investments that offer upside in the mid- to long term (on average 1 to 2 years). Our portfolio primarily holds investments in companies that have a market cap below Euro 1 billion. As at 31 December 2015 the value of the portfolio amounted to Euro 85.2 million (2014: 51.1 million) holding 18 names (2014: 13 names).

The portfolio consists exclusively of equity (-derived) positions in listed life sciences companies that jointly provide a balanced - yet concentrated - exposure to the sector. Investments have been spread across clinical stage of development, disease area, geography, field of technology and business model. The majority of the investments in the period were in the area of drug development, combined with investments in innovative diagnostics, medical devices and specialty pharma companies. Equity stakes were predominantly below 5% of the portfolio company's outstanding capital, the exact size depending on company specific factors such as liquidity, market capitalization, timing of expected news flow and long term outlook. Holding periods consequently varied. The monthly reports of the Fund that are published on the Fund's website include the current portfolio composition and also list the top-5 best performing stocks of the respective month.

Alternative Investment Fund Managers Directive

The Fund Manager has implemented the Alternative Investment Fund Managers Directive (AIFMD) that came into force on 22 July 2014. Furthermore it has appointed KAS Trust & Depositary Services B.V. as Depositary for the Fund in accordance with the directive. The Depositary is responsible for the (i) the safekeeping of the Fund's assets, and (ii) the oversight and supervision of the Fund and the management of the Fund by the Fund Manager. The Depositary has delegated its day-to-day custody tasks to KAS BANK N.V. The depositary remains liable towards the Fund for loss of assets of which the custody has been delegated to KAS BANK N.V. or another third party. The Depositary can only discharge itself from such liability if all the requirements of article 21(13) or 21(14) of the AIFMD are met.

Fund's risk management

The Fund has established a risk management function that monitors the risks, among other things, on the basis of periodic reports from the fund administrator and other service providers. Please refer to pages 27 - 29 of the financial statements for a more detailed description.

Fund policy regarding voting rights and voting conduct

The Fund Manager will actively exercise, or deliberately refrain from exercising, voting rights attached to the Fund's shares in its portfolio companies. The Fund Manager will determine the manner in which voting rights are being exercised on a case-by-case basis, but at all times in the best interests of the Fund and the investors of the Fund. During 2015 the Fund Manager has not exercised its voting rights.

Administrative organization and internal controls

The Fund Manager and the Fund have documented the administrative organization and internal controls in accordance with the Dutch Financial Markets Supervision Act (Wft) and the Decree on Market Conduct Supervision of Financial Business (Bgfo). During the reporting period we have reviewed the various aspects of our operations. Our review did not find anything that would lead us to conclude that the administrative organization and the system of internal controls as referenced in article 121 of the Bgfo does not satisfy the requirements as laid down in the Bgfo and related regulations. Furthermore, we did not find that the administrative organization and internal controls are ineffective or that they do not operate in accordance with their description.

Based on the above, we declare as Fund Manager of the LSP Life Sciences Fund N.V. that we are in possession of a description of the administrative organization and internal controls in accordance with Article 121 of the Bgfo, which fulfils the requirements of the Bgfo. We also state with a reasonable degree of certainty that the administrative organization and the system of internal controls were effective and operated in accordance with its description during the reporting period.

The director of LSP Life Sciences Fund N.V. confirms to the best of its knowledge that:

- the financial statements for the year 2015 have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code as well as the Dutch Act on Financial Supervision and give a true and fair view of the assets, liabilities and financial position of LSP Life Sciences Fund N.V. as at 31 December 2015 and of its result for the period then ended;
- the report includes a fair review of the key developments of the Fund during the period and the effects thereof on the annual report, together with the principal risks and uncertainties of upcoming six months;
- the report provides adequate disclosure of the principal transactions with related parties.

Outlook

For 2016, we were expecting volatility that we have seen in particular in the second half of 2015, to remain. However not to the same extent as we have experienced so far this year. In fact, the downturn of the global equity markets in January 2016 – driven by an ever increasing uncertainty (or fear) that global economic growth is slowing – has been extreme. We have seen a flight from risk – and thus from equities - by investors across the board; and within equities, a flight in particular from those sectors that are typically being perceived as riskier, such as the biomedical and biopharmaceutical sector. This has also had its impact on the Fund. We believe this to be a significant overreaction; it simply does not reflect the underlying growth potential of the sector that is driven by fundamental, unstoppable and long term socio-economic and demographic trends; neither does it take into account the fundamental value of the individual investment cases in our portfolio, all of which are well financed and have innovative and breakthrough products in their respective pipelines. We continue to believe there is substantial upward potential in the Fund, with significant additional milestones and news flow expected from its portfolio companies in the remainder of the year 2016.

Already, some of the anticipated milestones have materialized early in the year, although none of these have actually contributed to a value increase of the relevant portfolio company, which – in more normal market circumstances – would have been the case. We thus believe there is significant upward potential in the current portfolio, that we believe will materialize in the coming year. Going forward, the Fund will continue to selectively add, or dispose of, companies in line with its investment strategy.

The director

LSP Advisory B.V.

Mark Wegter

Joep Muijers

Geraldine O’Keeffe

SUPERVISORY BOARD REPORT

In accordance with the Fund documents, the Supervisory Board of the Fund meets at least quarterly and at such times as the Supervisory Board or the directors of the Fund Manager deem necessary. During the year 2015, the Supervisory Board held 4 regular meetings together with the directors of the Fund Manager.

During these meetings the Supervisory Board has discussed a wide range of subjects including the investment strategy and investment performance, the Fund's operations and the interaction with third party service providers (e.g. depositary, custodian, fund agent, fund administrator and brokers), the principles of fund governance, compliance related matters as well as the monitoring and adherence to the investment restrictions and the Socially Responsible Investment practices and procedures of the Fund. During the year the Fund Manager asked the Supervisory Board for approval of two proposed investments involving a potential conflict of interest. The Supervisory Board reviewed the cases at hand, established that all relevant procedures were adhered to and granted its approval for the investments.

Furthermore the Supervisory Board has monitored the financial reporting process, the effectiveness of the internal controls and the risk management of the Fund.

In July 2015, Mr. Hanso Schotanus à Steringa Idzerda resigned as Supervisory Board member. The Authority for the Financial Markets (AFM) has provided its consent to this resignation, taking into account the skills and qualifications of the remaining Supervisory Board members, the nature of the activities and the complexity of the organisation. The Fund Manager does currently not intend to propose an additional Supervisory Board member to the annual meeting of Investors.

The Supervisory Board declares that all of its members were independent of one another as well as in respect of the Fund and the Fund Manager.

Pauline Bieringa (chair)

Onno Paymans

KEY FIGURES

(in thousands of Euro's, except per share data)

	2015	2014	2013	2012
Net Asset Value	94,948	70,175	62,592	41,278
Number of shares outstanding	448,036	380,941	467,271	396,581
Net Asset Value per share	211.92	184.21	133.95	104.08
Share price performance	15.0%	37.5%	28.7%	23.9%
Net Result	10,315	21,252	12,775	7,870
Ongoing charges figure (OCF) ¹	1.92%	2.03%	2.07%	2.11%
Performance fee figure ²	3.57%	7.43%	2.46%	0.00%
Turnover Ratio	166%	164%	154%	144%

¹⁾ The Total Expense Ratio (TER) has been replaced by the Ongoing Charges Figure (OCF). The comparative figures for 2012 and 2013 have been adjusted accordingly to this new key figure definition

²⁾ The performance related fees expressed as a percentage of the Fund's average Net Asset Value (NAV)

BALANCE SHEET on 31 December 2015

(in thousands of Euro's, before appropriation of the result)

	Note	31 December 2015	31 December 2014
Assets			
Investments			
	1		
Investments in securities		85,190	47,808
Investments in derivatives		1	3,312
		<u>85,191</u>	<u>51,120</u>
Receivables			
Amounts receivable		123	101
Other assets			
	2		
Intangible assets		-	39
Cash accounts		13,799	23,911
		<u>13,799</u>	<u>23,950</u>
Total Assets		<u>99,113</u>	<u>75,171</u>
Liabilities and shareholders' equity			
Shareholders' equity			
	3		
Issued share capital		448	381
Share premium		48,550	34,159
Legal and statutory reserve		-	39
Other reserves		35,635	14,344
Unappropriated result		10,315	21,252
		<u>94,948</u>	<u>70,175</u>
Current liabilities			
	4		
Creditors and accrued expenses		4,165	4,996
Total Liabilities and shareholders' equity		<u>99,113</u>	<u>75,171</u>
Net Asset Value per share		211.92	184.21

PROFIT AND LOSS ACCOUNT for the year 2015

(in thousands of Euro's)

	Note	31 December 2015	31 December 2014
Income from investments			
Dividends on securities		26	-13
Realized movements in investments and other assets 5			
Realized movements on securities		29,625	28,281
Realized movements on derivatives		4,186	-
		33,811	28,281
Unrealized movements in investments and other assets 5			
Unrealized movements on securities		-11,505	7,549
Unrealized movements on derivatives		-2,966	-3,269
Currency results on cash accounts		-3,959	-4,992
		-18,430	-712
Expenses			
Management costs	6	4,446	5,787
Depositary costs	7	37	15
Fund operational costs	8	250	254
Other operating expenses	9	39	39
Interest expenses on cash accounts		320	209
		5,092	6,304
Result for the period		10,315	21,252

CASH FLOW STATEMENT for the year 2015

(in thousands of Euro's)

	31 December 2015	31 December 2014
Cash flows from investment activities		
Net result	10,315	21,252
Realized movements in investments and other assets	-33,811	-28,281
Unrealized movements in investments and other assets	18,430	712
Purchase of investments and other assets	-110,006	-51,936
Sale of investments and other assets	95,275	92,585
Change in amounts receivable	-22	69
Change in intangible assets	39	39
Change in current liabilities	-831	3,448
	-20,611	37,888
Cash flows from financial activities		
Issue of shares	37,778	12,676
Redemption of shares	-23,320	-26,345
Total cash flows from financial activities	14,458	-13,669
Currency results on cash accounts	-3,959	-4,992
Net increase for the period	-10,112	19,227
Opening balance	23,911	4,684
Closing balance	13,799	23,911
	-10,112	19,227

SELECTED NOTES TO THE ANNUAL REPORT

General

LSP Life Sciences Fund N.V. (the Fund) is a public limited liability company with the status of an investment company with variable capital organised and established under the laws of the Netherlands on 18 April 2011. The Fund has its statutory seat in Amsterdam, the Netherlands. The Fund is an open-end investment fund listed on Euronext Amsterdam. The Fund is managed by LSP Advisory B.V. as sole managing director of the Fund.

The purpose of the Fund is to achieve capital appreciation by investing in a diversified, yet concentrated portfolio of publicly listed life sciences companies (including biopharmaceutical, specialist pharmaceutical, medical device, drug delivery, vaccine and diagnostic companies).

The Fund qualifies as a tax-exempt investment fund within the meaning of Article 6a of the Dutch Corporate Income Tax Act. Accordingly, the Fund is not subject to Dutch corporate income tax.

Accounting principles

General

The financial year of the Fund corresponds to the calendar year. This report has been prepared in accordance with generally accepted accounting principles in the Netherlands, and in compliance with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code as well as the Dutch Act on Financial Supervision.

The functional currency of the Fund is Euro and the financial statements are presented in thousands of Euro's except per share data.

Unless specifically specified otherwise the Fund applies the historical cost convention less any value adjustments deemed necessary. Furthermore, the accrual method of accounting has been applied which means that income and expenses are recognised in the period to which they relate rather than the period in which they have been paid or received.

Foreign currency translation

Unless otherwise stated, assets and liabilities denominated in foreign currencies are translated into the Fund's reporting currency at the exchange rates at closing date. Revenues and expenses denominated in foreign currencies are translated into Euro's at rate prevailing at the transaction date. Resulting currency exchange differences are taken into the Profit and Loss account under currency results.

The exchange rates at 31 December 2015, in Euro	
Danish Crown	0.13400
British Pound	1.35676
Swedish Krona	0.10919
United States Dollar	0.92056
Swiss Franc	0.91962
Norwegian Krone	0.10400

Investments*Securities*

Investments are recorded at their fair value. The Fund only has investments in listed securities for which fair value is determined at their closing price on the valuation date on the relevant exchanges. Transaction costs in respect of purchase and sale of investments are included in unrealized and realized movements in investments.

Derivatives

Derivatives (warrants) are measured at fair value on initial recognition. After initial recognition, these derivative financial instruments are carried at fair value, with gains and losses recognized in unrealized and realized movements in investments in the Profit and Loss account.

In the absence of a quotation, the fair value of the warrants is calculated using the Black-Scholes Discrete model, taking into account the exercise price of the warrant, the remaining life of the warrant, the vesting period of the warrant, the share price of the underlying security at valuation date, the risk-free interest rate, the expected volatility and the expected dividend yield.

Intangible assets

Establishment expenses are capitalized at the level of the Fund and are amortized over a period of 5 years.

Receivables and other assets

Other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Share premium account

This reserve originates from the issue and redemption of shares over and above their nominal value.

Current liabilities

Current liabilities and other financial commitments are stated after their initial recognition at amortised cost on the basis of the effective interest rate method.

Profit and Loss account

Income and expenses are accounted for in the period to which they relate.

Realized movements in investments and other assets

Realized movements in investments and other assets consist of gains or losses on securities and derivate positions that have been sold during the reporting period.

Unrealized movements in investments and other assets

Unrealized movements in investments and other assets consist of gains or losses on securities and derivate positions that are (still) in the portfolio at the end of the reporting period.

Income

Dividends are recognised on an ex-dividend date basis. Dividend income is recognised net of dividend withholding tax as the fund cannot reclaim dividend tax paid from the tax authorities. If the Fund elects to receive a stock dividend in lieu of a cash dividend, an amount equal to dividends not received is included in income. When the Fund receives a stock dividend when there is no cash alternative, an amount equal to the nominal value of the shares issued is included in income to the extent that such stock dividend is regarded as revenue for Dutch tax purposes.

Expenses

Expenses are dealt with on an accrual basis. All expenses are charged to the Profit and Loss account.

Cash Flow statement

The Cash Flow statement is prepared by using the indirect method.

Notes to balance sheet

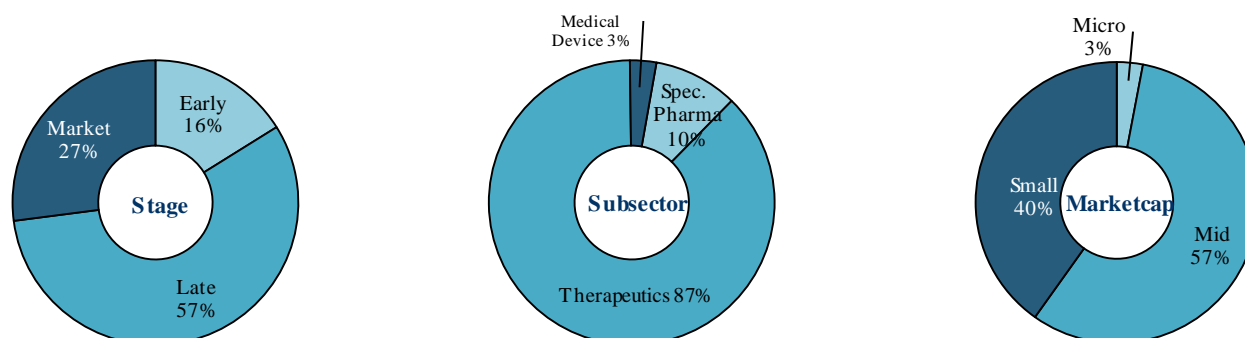
1. Investments

	31 December 2015	31 December 2014
Securities		
Market value beginning of period	47,808	52,627
Purchases	114,378	51,936
Sales	-95,116	-92,585
Unrealized price movements	-11,228	4,630
Unrealized currency movements	-277	2,919
Realized price movements	25,306	26,282
Realized currency movements	4,319	1,999
Market value at end of period	85,190	47,808
Derivatives		
Market value beginning of period	3,312	6,581
Purchases	-	-
Sales	-4,531	-
Unrealized price movements	-2,947	-3,299
Unrealized currency movements	-19	30
Realized price movements	4,531	-
Realized currency movements	-345	-
Market value at end of period	1	3,312

The parameters used for the valuation of the non-listed warrants (included in derivatives) are:

Parameter	Warrant C Sphere Medical serie 1 07/15/13-07/14/18	Warrant D Sphere Medical serie 2 07/15/13-07/14/18
	Expiration date	Jul-18
Remaining life	2.48 years	2.48 years
Price of underlying share at value date	GBP 8.50	GBP 8.50
Exercise price	GBP 92.50	GBP 44.00
Vesting period	-	-
Expected dividend yield	0.00%	0.00%
Expected volatility	39.79%	39.79%
Rate of yield curve	1.21%	1.21%

The Fund's investments are classified according to stage, subsector and market capitalization. The breakdown of the Fund's portfolio per 31 December 2015 is shown below.



Stage at year end	2015	2014
Early Stage	16%	34%
Late Stage	57%	55%
Market	27%	11%

Subsector at year end	2015	2014
Therapeutics	87%	74%
Medical Device	3%	19%
Specialty Pharma	10%	7%

Marketcap at year end	2015	2014
Microcap	3%	14%
Smallcap	40%	64%
Midcap	57%	22%

Portfolio breakdown

The below table shows the portfolio breakdown of the Fund grouped per company (including warrants) as a percentage of the total Fund's Net Asset Value.

Company	Stage	Subsector	Marketcap	%
Cempra	Late	Therapeutics	Mid	10.7%
Galapagos	Late	Therapeutics	Mid	10.2%
Circassia Pharmaceuticals	Late	Therapeutics	Mid	8.0%
Ablynx	Early	Therapeutics	Small	7.7%
Morphosys	Late	Therapeutics	Mid	6.6%
Evotec	Late	Therapeutics	Small	6.6%
uniQure	Market	Therapeutics	Small	5.5%
Relypsa	Market	Therapeutics	Mid	5.1%
Egalet	Market	Specialty Pharma	Small	4.4%
Clinigen Group	Market	Specialty Pharma	Mid	4.2%
Neurocrine Biosciences	Late	Therapeutics	Mid	3.8%
Ascendis Pharma	Early	Therapeutics	Small	3.8%
Forward Pharma	Late	Therapeutics	Small	3.8%
ProQR Therapeutics	Early	Therapeutics	Small	2.9%
PTC Therapeutics	Market	Therapeutics	Mid	2.4%
Sphere Medical	Market	Medical Device	Micro	1.6%
Chimerix	Late	Therapeutics	Small	1.3%
Lombard Medical	Market	Medical Device	Micro	1.0%
				89.7%

2. Other assets**31 December 2015****31 December 2014****Intangible assets**

Establishment expenses	195	195
Depreciation	-195	-156
Value at end of period	-	39

The intangible assets consists of the establishment expenses of the Fund that are capitalized at the level of the Fund and are amortized over a period of 5 years. Included in the establishment expenses are legal, accounting and tax advisory costs, incorporation expenses and travel costs.

Cash accounts

The cash at banks are held with KAS BANK N.V. and are available on demand. The net cash of the Fund at year end consists of a credit balance on the Euro and Danish Crown accounts and a debit balance on the British Pound and United States Dollar currency accounts as shown in below table.

Cash account	at 31 December 2015		at 31 December 2014	
	in Local Currency	in Euro	in Local Currency	in Euro
Euro	70,735	70,735	56,717	56,717
Danish Crown	15	2	-	-
British Pound	-9,088	-12,330	-4,526	-5,832
United States Dollar	-48,457	-44,608	-32,640	-26,974
Total		13,799		23,911

The cash accounts are an integral part of the Fund's currency hedging as further detailed in note 5. Furthermore all accounts are covered by the same contractual agreements. The individual account balances are managed jointly and are presented in the annual accounts as a single netted amount.

3. Shareholders' equity

The authorized share capital of the Fund is Euro 1,000,000 and is divided in 1,000,000 shares with a par value of Euro 1.00 each. The number of issued shares at 31 December 2015 amounts to 448,036.

	31 December 2015	31 December 2014
Issued share capital		
Balance at beginning of period	381	467
Issued	179	82
Redemption	-112	-168
Balance at end of the period	448	381
Share premium account		
Balance at beginning of period	34,159	47,742
Issue of shares	37,599	12,594
Redemption of shares	-23,208	-26,177
Balance at end of the period	48,550	34,159
Legal and statutory reserve		
Balance at beginning of period	39	78
Amortisation of intangible assets	-39	-39
Balance at end of the period	-	39
Other reserves		
Balance at beginning of period	14,344	1,530
Result appropriation for previous year	21,252	12,775
Release of legal and statutory reserve	39	39
Balance at end of the period	35,635	14,344
Number of issued shares		
Balance at beginning of period	380,941	467,271
Issued	178,670	81,848
Redemption	-111,575	-168,178
Balance at end of the period	448,036	380,941
Number of shares	448,036	380,941
Net Asset Value	94,948	70,175
Net Asset Value per share	211.92	184.21
Unappropriated result		
Balance at beginning of period	21,252	12,775
Result previous year added to other reserves	-21,252	-12,775
Result for the period	10,315	21,252
Balance at end of the period	10,315	21,252

4. Current liabilities**31 December 2015****31 December 2014****Creditors and accrued expenses**

Interest	32	30
Share redemptions payable to shareholders	807	6
Fund operational costs	98	92
Management fee	125	92
Performance fee	3,103	4,786
	<hr/>	<hr/>
	4,165	4,996

The creditors and accrued expenses are payable within one year.

Fund operational costs

Fund administration fee	17	17
Remuneration of the Supervisory Board	37	38
Governance costs	7	7
Auditor's remuneration	32	25
Advisory costs	5	5
	<hr/>	<hr/>
	98	92

Notes to the Profit and Loss account

5. Realized and unrealized movements in investments and other assets

	31 December 2015	31 December 2014
Realized movements on securities		
Realized gains on securities	25,306	26,282
Currency results on securities	4,319	1,999
	29,625	28,281
Realized movements on derivatives		
Realized gains on securities	4,531	-
Currency results on securities	-345	-
	4,186	-
Unrealized movements on securities		
Change in unrealized gains on securities	-11,228	4,630
Currency results on securities	-277	2,919
	-11,505	7,549
Unrealized movements on derivatives		
Change in unrealized gains on derivatives	-2,947	-3,299
Currency results on derivatives	-19	30
	-2,966	-3,269

The realized and unrealized movements are a combination of gains as well as losses. In accordance with the generally accepted accounting principles in the Netherlands these gains and losses have to be reported separately. The below table provides this decomposition.

Realized movements 31 December 2015			
	Gains	Losses	Total
Securities	35,673	-6,048	29,625
Derivatives	4,770	-584	4,186
Unrealized movements 31 December 2015			
	Gains	Losses	Total
Securities	9,987	-21,492	-11,505
Derivatives	157	-3,123	-2,966
Realized movements 31 December 2014			
	Gains	Losses	Total
Securities	15,176	-6,417	8,759
Derivatives	-	-	-
Unrealized movements 31 December 2014			
	Gains	Losses	Total
Securities	25,786	-17,056	8,730
Derivatives	5,211	-6,252	-1,041

Currency results on cash accounts

The Fund makes use of foreign currency cash accounts to (partially) hedge the currency exposure of its investments. During the reporting period the currency results on these cash accounts amounted to a loss of Euro 3,959 thousand (2014: -4,992 thousand), whilst the realized and unrealized currency result of the investments amounted to a gain of Euro 3,679 thousand (2014: -4,948 thousand). The net currency result of the Fund thus amounted to a loss of Euro 280 thousand (2014: -44 thousand).

6. Management costs

Management Fee

The Fund Manager is entitled to an annual management fee due by the Fund to the Fund Manager equal to 1.5% per annum of the Net Asset Value excluding (i.e. before deduction of) the accrued management fee and performance fee. The management fee accrues on a daily basis by reference to the latest Net Asset Value and is payable by the Fund in arrears as per the last business day of each month. The management fee amounts to Euro 1,343 thousand (2014: 1,001 thousand).

Performance Fee

The Fund Manager is entitled to receive a performance fee of twenty per cent (20%) of the increase (if any) in the Net Asset Value per share accrued during the year for each share outstanding at the end of the relevant year, but only to the extent such increase exceeds the hurdle of 8%. The performance fee is furthermore subject to a perpetual high watermark which means that performance fee shall only be payable if, and to the extent that, the Net Asset Value per share at the end of a year is greater than the highest value of this variable which has been determined at the end of all of the preceding years. The performance fee is calculated and accrues on a daily basis. The performance fee, if any, is payable as per the last valuation day of each calendar year.

The initial issue price of Euro 100.00 per share, plus the 8% hurdle since inception amounted to Euro 143.46 at 31 December 2015. The high watermark is set to the highest Net Asset Value per share at the end of all preceding years, i.e. Euro 184.21. As the High Watermark exceeds the hurdle, the performance fee is calculated with reference to this High Watermark. The Net Asset Value per share – before performance fee – as of period-end was Euro 218.84, yielding an excess performance of Euro 34.63 per share above the High Watermark. The performance fee amounts to 20% of this excess performance, multiplied by the number of shares outstanding. This results in a performance fee for the period in the amount of Euro 3,103 thousand (2014: 4,786 thousand).

(in Euro per share)	31 December 2015	31 December 2014
Net Asset Value (before performance fee)	218.84	196.77
Hurdle	143.46	132.83
High Watermark	184.21	133.95
Excess performance	34.63	62.82
Performance fee (20% of excess performance)	6.93	12.56
Number of shares outstanding	448,036	380,941

7. Depositary costs

In connection with the Alternative Investment Fund Manager Directive (AIFMD) that came in force on 22 July 2014, the Fund has appointed KAS Trust & Depositary Services B.V. as depositary. The depositary acts in the interest of the investors and is responsible for the safekeeping of the fund's assets and the oversight and supervision of the Fund and the management of the Fund by the Fund Manager. The depositary costs consist of the fees contractually due to the depositary for the provision of its services.

8. Fund operational costs	31 December 2015	31 December 2014
Fund administration fee, custody and bank fees	147	146
Remuneration of the Supervisory Board	37	43
Governance costs	-5	4
Auditor's remuneration	40	30
Advisory costs	15	9
Other costs	16	22
	250	254

Fund operational costs include all costs of legal, tax, regulatory, administrative, custody, auditing, reporting and similar services and advices provided to the Fund, the cost of the Fund Agent and Administrator, the costs of supervision of the Fund, all costs incurred in relation to the Fund's Supervisory Board and all costs of communications with and meetings of the investors. In previous annual reports these costs were referred to as 'General and administrative expenses'.

The governance costs in 2015 shows a balance of Euro -5 thousand. This balance consists of a Euro 7 thousand release of the 2014 year end accrual and Euro 2 thousand in cost for 2015.

Auditor's remuneration

The following fees were charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a (1) and (2) of the Netherlands Civil Code.

	31 December 2015		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Audit of the financial statements	31	-	31
Other audit engagements	4	-	4
Tax-related advisory services	-	-	-
Other non-audit services	-	5	5
	35	5	40

	31 December 2014		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Audit of the financial statements	27	-	27
Other audit engagements	3	-	3
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	30	-	30

9. Other operating expenses

	31 December 2015	31 December 2014
Amortisation of establishment expenses	39	39
	39	39

The establishment expenses are capitalized at the level of the Fund and are amortized over a period of 5 years.

Comparison total expenses with expenses mentioned in the prospectus

	Actual costs	Prospectus
Management fee	1,343	1,343
Performance fee	3,103	3,103
Depositary costs	37	392
Fund operational costs	250	39
Establishment expenses	39	39
	4,772	4,877

The expenses in the Prospectus are based on an average Fund size of Euro 75 million and have been adjusted proportionally to the actual average Fund size in this comparison. In the Prospectus the depositary costs are not mentioned separately but are included in the Fund operational costs.

Portfolio Turnover Ratio

The portfolio turnover ratio refers to the measure of trading activity in the Fund's portfolio. The portfolio turnover rate is a percentage of the portfolio that is bought and sold in exchange for other stocks. The portfolio turnover ratio is calculated by taking the amount of new securities purchased and the amount of securities sold minus the amount for redemption and issue of shares over the financial year. The result is expressed as a percentage of the average Net Asset Value (NAV). The average Net Asset Value is now calculated, in accordance with the generally accepted accounting principles in the Netherlands, as the average of all calculated and published NAV's during the year. Previously this average calculation was based on five measurement points during the year. The portfolio turnover ratio for 2015 amounts to 166% (2014: 164%). As the portfolio turnover measure includes both the purchases as well as the sales of securities, it effectively corresponds to an average holding period of about 1.2 years (2014: 1.2 years), consistent with the Fund's investment strategy.

Ongoing Charges Figure

According to the generally accepted accounting principles in the Netherlands the total expense ratio (TER) has been replaced by the ongoing charges figure (OCF). Like the TER, the ongoing charges figure is the total amount of costs the Fund incurred in a year, expressed as a percentage of the Fund's average Net Asset Value (NAV) for the period concerned. The changes consist of a change in calculation method and a change in the cost components that should be included in the calculation. The average Net Asset Value is now calculated as the average of all calculated and published NAV's during the year, whereas for the TER this average calculation was based on five measurement points during the year. The performance related fees are excluded from the ongoing charges figure and are expressed separately as a percentage of the Fund's average Net Asset Value (NAV) for the period concerned. The resulting OCF for 2015 is 1.92% (2014: 2.03%). The resulting percentage of the performance fee for 2015 is 3.57% (2014: 7.43%).

Remuneration of the Supervisory Board

The total of remuneration for the members of the Supervisory Board for the period amounts to Euro 37 thousand (2014: 43 thousand).

Supervisory Board member	31 December 2015	31 December 2014
Pauline Bieringa	18	18
Onno Paymans	12	12
Hanso Schotanus à Steringa Idzerda	7	6
Tom van Wijngaarden	-	6
	37	43

Personnel

The Fund did not employ any personnel.

Remuneration Fund Manager's staff

The remuneration of the Fund Manager's staff is disclosed in the annual report of the Fund Manager.

Risk factors and risk management

An investment in the Fund involves certain risks and uncertainties relating to the Fund's structure and investment strategy. The Fund has exposure to the following risks from financial instruments:

- Market risks
- Liquidity risk
- Counterparty risk, including settlement risk
- Operational risks, including preservation and legal and tax compliance risks

The Fund Manager applies a comprehensive process based on qualitative and quantitative risk measures to assess the risks of the Fund entailing a standard monitoring process which consists of pre-defined monitoring items and cycles. The overall exposure of the Fund is calculated by means of the Value-at-Risk (VaR) methodology. The Value-at-Risk methodology provides a measure of the potential loss that could arise over a given time interval under normal market conditions, and at a given confidence level. During the year of 2015 no risk limits of the Fund have been exceeded nor were they likely to be exceeded.

The Fund Manager has been given a discretionary authority to manage the assets in accordance with the Fund's investment objectives. Compliance with the investment restrictions and the composition of the portfolio is monitored by the Fund Manager on a daily basis.

Market Risk

The prices of financial instruments on the financial markets in general and more specifically the prices of financial instruments in the portfolio can increase or decrease as a result of a multitude of factors like expectations of economic growth, inflation and price movements of goods and foreign currencies. In addition the value of the portfolio can vary due to, for example, political and monetary developments. Market risks are increased as a result of limiting the geographic scope of the Fund to Europe (and in part to the United States) as well as the Fund's concentrated sector portfolio. The Fund manager distinguishes the following market risks: (i) price volatility, (ii) concentration risk, (iii) foreign currency risk and (iv) interest rate risk, which are discussed in further detail below.

(i) Price volatility

The stock prices of companies involved in the life sciences industry have been and will likely continue to be volatile. Stock prices and their related financial instruments (e.g. warrants) could be subject to wide fluctuations in response to a variety of factors, including the following:

- General market fluctuations (including the parameters used for valuation of warrants);
- Actual or anticipated variations in companies' operating results;
- Announcements of technological innovations by competitors;
- Changes in financial estimates by securities analysts;
- Changes in the market valuations of life sciences companies;
- Legal or regulatory developments affecting companies in the life sciences industry;
- Announcement by life sciences companies or their competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments; or
- Additions or departures of key personnel.

Many life sciences companies do not or in the future might not have earnings. As a result, the trading prices of life sciences companies may decline substantially and valuations may not be sustained. Any negative change in the public's perception of the prospects of life sciences companies, generally could depress the stock prices of a particular company regardless of its results. Other broad market and industry factors may decrease the stock price of life sciences stocks, regardless of their operating results.

Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency rate fluctuations, also may decrease the market price of life sciences stocks. Given the investment objective of the Fund and its inherent sector focus, the price volatility risk is in principle not managed by the Fund Manager.

(ii) Concentration risk

The Fund endeavours to create a concentrated portfolio of life sciences investments that are diversified by sub-sector (indication area or technology), geographic location, type of investment (IPOs, rights offerings, follow-on offerings, PIPEs, direct equity offerings, open market transactions, etc.), business model, area of focus, stage of development, etc. in order to achieve a high level of risk diversification. However, subject to the investment restrictions, investments may be weighted to certain indication and/or technologies and in certain geographic markets within Europe. Events that impact a specific investment, a specific sub-sector or a region may have an impact on the Fund's performance. The investment restrictions put an upper limit to the maximum allocation to a single portfolio company. Furthermore the Fund Manager monitors the concentration levels on a daily basis and will rebalance the portfolio if so required. As at 31 December 2015 the 5 single largest holdings account for 43% of the Net Asset Value of the Fund (year-end 2014: 38%).

(iii) Foreign currency risk

The Fund invests in life sciences companies in various countries. The investments may be dominated in currencies other than Euro and the value of these currencies may fluctuate. Thus, investors in principle will be subject to fluctuations in currency exchange rates. These fluctuations may have a positive or a negative effect on the Net Asset Value. The Fund Manager can make use of a range of financial instruments to (partially) hedge the various currency exposures that result from the portfolio investments. During the reporting period the currency risk of the British Pound, Danish Crown, Norwegian Krone and United States Dollar was partially hedged by contrary positions on the respective foreign currency cash accounts.

Net currency exposure	at 31 December 2015		at 31 December 2014	
	in Local Currency	in Euro	in Local Currency	in Euro
Danish Crown	15	2	-	-
British Pound	581	789	75	97
United States Dollar	-2,218	-2,041	1,104	912

(iv) Interest rate risk

The Fund has no significant exposure to interest rate risk, since all cash accounts have floating interest rates and the Fund does not hold any fixed income securities.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities – including redemptions of shares – that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund. The Fund Manager actively monitors the maximum possible share redemptions in relation to the Fund's cash position and the level of liquidity of securities in the portfolio and will take corrective action if so required.

Counterparty risk

The Fund can be subject to the risk of the inability or refusal of dealers, brokers, clearing and payment institutions, custodians, principals or other service providers, issuing entities or other counterparties to its transactions to duly and timely perform under such services or transactions. Any such shortcoming, failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject the Fund to substantial losses. The Fund Manager mitigates these risks by reviewing the creditworthiness and reliability of all service providers and counterparties and only enters into transactions with those parties that the Fund believes to be creditworthy and reliable. All cash balances, amounting to Euro 13,799 thousand as at 31 December 2015 (2014: 23,911 thousand), are held with the KAS BANK N.V. which is rated by Fitch (per 05 January 2016) as long term A- and by Standard & Poor's as short term A-2.

Settlement risk

The Fund can be subject to the risk that settlement through a payment system is unable to take place as expected because payment or delivery of the financial instruments is not on time or does not happen at all. The Fund mitigates this risk by conducting most of its settlements through a broker and ensuring that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

Operational risks

Operational risk concerns the risk that the Fund will incur financial losses due to amongst others operational errors, negligence and/or fraud. In general the Fund manages this risk through an adequate administrative organization including segregation of duties and internal controls, which cover these risks.

Preservation risk

To safeguard the assets of the Fund, the Fund uses an independent custodian. Preservation risk is the risk that the assets of the Fund are lost as a result of, among other things, negligence, insolvency or fraudulent actions of the custodian. To monitor and mitigate this risk, the Fund Manager will periodically review the ISAE 3402 Type II report as received from the custodian to assess whether the relevant administrative organization and internal controls are adequate.

Legal and tax compliance risks

Changes in tax legislation in any of the countries in which the Fund has investments, or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Fund to its investors. In the event that the Fund no longer complies with the requirements of a tax-exempt investment fund, the Fund might be subject to Dutch corporate income tax. The Fund Manager, in consultation with its tax and legal advisors, monitors compliance with the relevant rules and regulations.

Transactions with related parties

The Fund Manager, LSP Advisory B.V. qualifies as a related party. In the reporting period the Fund Manager received a management fee of Euro 1,343 thousand (2014: 1,001 thousand) and for the reporting period a performance fee of Euro 3,103 thousand is due (2014: 4,786). Employees of the Fund Manager, LSP or its affiliates participate in the Fund against a market price.

Soft dollar arrangements

The Fund will not enter into arrangements with any party regarding kickback payments. Third parties may in relation to the execution of orders by them on behalf of the Fund provide products and services to the Fund manager. During the reporting period the Fund's transactions were conducted under execution-only arrangements with its brokers and the Fund manager has assessed that it received no soft dollar arrangement during 2015 (2014: none).

Interests of the Supervisory Board and Management

The members of the Supervisory Board and Management had no interests in securities held by the Fund's portfolio as at 31 December 2015 (2014: no interests).

One member of the Supervisory Board holds a total of 200 shares in the Fund as at 31 December 2015 (2014: 100 shares).

Employees of the Fund Manager, LSP or its affiliates participate in the Fund against a market price. These persons own in aggregate 13,355 (2014:13,060) shares in the Fund. The lock-up period as described in the prospectus of the Fund has expired.

Amsterdam, 08 April 2016

The director

LSP Advisory B.V.

OTHER INFORMATION

Statutory income allocation

According to article 22 of the Articles of Association, the Fund Manager will determine which part of the profit will be retained; the remainder of the profit will be at the disposal of the general meeting of shareholders.

Distributions policy

As the investment objective of the Fund is to achieve capital appreciation, frequent and regular distribution of profits or other net proceeds by the Fund are not intended nor anticipated. All net proceeds will in principle be reinvested and the Fund Manager will exercise its right to add profits of the Fund to the Fund's reserves.

Post-balance sheet events

There were no material post-balance sheet events which have a bearing on the understanding of the financial statements.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To: the General Meeting and the Supervisory Board of LSP Life Sciences Fund N.V.

Report on the audit of the annual financial statements 2015

Opinion

In our opinion the financial statements give a true and fair view of the financial position of LSP Life Sciences Fund N.V. as at 31 December 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Financial Supervision Act ('Wet op het financieel toezicht');

What we have audited

We have audited the financial statements 2015 of LSP Life Sciences Fund N.V., based in Amsterdam.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2015;
- 2 the profit and loss account for 2015; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of LSP Life Sciences Fund N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified audit opinion



Materiality

- Overall materiality of EUR 950,000 (1% of shareholders' equity)
- Misstatement threshold of EUR 47,500



Key audit matters

- Valuation of investments
- Use of external service providers

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 950,000 (2014: EUR 702,000). The materiality is determined with reference to total shareholders' equity (2015: 1%; 2014: 1%), as we consider the invested amount by shareholders (equity) most relevant for an investment fund. Value changes are an important part of the total revenue and therefore of the result of an investment fund. Due to the dependency of the value changes both the total revenues as the profit before tax are inherently volatile and therefore less suited as benchmark for determining materiality.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 47,500, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments

Description

The investments of the fund comprise 86% of the balance sheet total. These investment are valued at fair value based on market information and management's estimate on liquidity of the investments. Therefore, the valuation of the investments has a significant impact on the financial results of the fund. We estimate the risk on a material misstatement in the valuation of the investments as low due to the fact that the portfolio consists of liquid, listed investments which are traded on an active market. Due to the amount of the investments in relation to the financial statements as a whole we identify the valuation of investments as a key audit matter.



Our response

Our audit procedures consisted of determining that the used price is based on the method which is defined for the relevant investment category. We performed this procedure by comparing the used valuations of the investments with our independent valuation which is based on observable market prices and liquidity. In order to perform the procedures we included a valuation specialist in the audit team. Furthermore we evaluated the disclosure in the financial statements.



Our observation

Based on our procedures we conclude that management's valuation of the investments resulted in an acceptable valuation of the investments in the financial statements.



Use of external service providers (outsourcing)

Description

LSP Life Sciences Fund N.V. does not employ any personnel and therefore the fund manager has engaged KAS Bank N.V. for its financial and investment administration and fund agent services. As



Use of external service providers (outsourcing)

the fund is dependent on KAS Bank N.V. for preparing financial information and the financial statements which we need to audit, we consider this as a key audit matter.

Our response

As part of our audit procedures we rely on the procedures performed by the external auditor of KAS Bank N.V. on the relevant administrative organisation and internal control of KAS Bank N.V. The outcome of these procedures is included in the ISAE 3402 type II report of KAS Bank N.V.

Our audit procedures consisted of determining the minimum expected controls at KAS Bank N.V. and evaluating the controls which are included in the ISAE 3402 type II report, the procedures performed in order to test the effectiveness of those controls and the outcome of these procedures.



Our observation

Based on our procedures we determined that the controls implemented at KAS Bank N.V., which are relevant for the fund, are sufficiently effective to be used in our financial statements audit of the fund.



Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements and for the preparation of the director's report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Financial Supervision Act ('Wet op het financieel toezicht'). Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

Report on the director's report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the director's report and other information):

- We have no deficiencies to report as a result of our examination whether the director's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the director's report, to the extent we can assess, is consistent with the financial statements.



Engagement

We were engaged by the General Meeting, as auditor of LSP Life Sciences Fund N.V. as of the audit for year 2011 and have operated as statutory auditor ever since that date. On 21 May 2015, we have been reappointed by the General Meeting to audit the financial statements 2015.

Amsterdam, 8 April 2016

KPMG Accountants N.V.

W.L.L. Paulissen RA

STATEMENT OF THE DEPOSITARY

Considering that

- KAS Trust & Depositary Services B.V. (“the depositary”) is appointed to act as depositary of **LSP Life Sciences Fund N.V.** (“the fund”) in accordance with section 21(1) of the Alternative Investment Fund Managers Directive (2011/61/EU) (the “AIFM Directive”);
- Such appointment and the mutual rights and obligations of the fund manager and the depositary of the fund have been agreed upon in the depositary agreement dated 22 July 2014 between such parties, including the schedules to that agreement (the “depositary agreement”);
- The depositary issues this statement exclusively to the fund manager in relation to the activities of the fund manager and relates to the period 1 January up to and including 31 December 2015, (“the reporting period”).

Responsibilities of the depositary

The depositary acts as a depositary within the meaning of the AIFM Directive and provide its services in accordance with the AIFM Directive, the EU implementing regulation, applicable Dutch laws and regulations and the policy rules issued by the European Securities and Markets Authority and the Netherlands Authority for the Financial Markets (the “regulations”). The responsibilities of the depositary have been described in the depositary agreement and include, in addition to the safekeeping, recordkeeping and ownership verification tasks (as defined in article 21(8) AIFM Directive), several monitoring and oversight tasks (as defined in article 21(7) and 21(9) AIFM Directive):

- Monitoring of the fund’s cash flows, including identification of significant and inconsistent cash flows and reconciliation of the cash flows with the fund’s administration;
- Ensuring that the sale, issue, re-purchase, redemption, cancellation and valuation of units or shares of the fund are carried out in accordance with the applicable national law and the fund documentation;
- Ensuring that in transactions involving the fund’s assets any consideration is remitted to the fund within the usual time limits;
- Ensuring that the fund’s income is applied in accordance with the applicable national law and the fund documents;
- Monitoring whether the fund is managed in compliance with the investment restrictions and leverage limits as defined in the fund documentation.

Statement of the Depositary

The depositary has carried out such activities during the reporting period as considered necessary to fulfil its responsibilities as depositary of the fund. The depositary is of the opinion that, based on the information made available to it and the explanations provided by the fund manager, in all material respects, the fund manager has carried out its activities which are in scope of the monitoring and oversight duties of the depositary, in accordance with the regulations and the fund documentation.

Miscellaneous

This statement does not create, and is not intended to create, any right for a person or an entity that is not a party to the depositary agreement.

Amsterdam, 08 April 2016