

## **LSP Life Sciences Fund N.V.**

Report on the first half of 2015

**LSP LIFE SCIENCES FUND N.V.**

(no audit or limited review is performed)

Report on the first half of  
2015

**Visiting address**

Johannes Vermeerplein 9  
1017 DV Amsterdam  
The Netherlands

**Website**

[www.lspvc.com/funds/public.html](http://www.lspvc.com/funds/public.html)

**Fund Manager**

LSP Advisory B.V.  
Johannes Vermeerplein 9  
1017 DV Amsterdam  
The Netherlands

**Legal and Tax advisor**

Clifford Chance LLP  
Droogbak 1a  
1013 GE Amsterdam  
The Netherlands

**Fund Agent and Administrator**

KAS BANK N.V.  
Nieuwezijds Voorburgwal 225  
1012 RL Amsterdam  
The Netherlands

**Custody Bank**

KAS BANK N.V.  
Nieuwezijds Voorburgwal 225  
1012 RL Amsterdam  
The Netherlands

**Depository**

KAS Trust & Depository Services B.V.  
Nieuwezijds Voorburgwal 225  
1012 RL Amsterdam  
The Netherlands

**Auditor**

KPMG Accountants N.V.  
Rijnzathe 14  
3454 PV De Meern  
The Netherlands

**CONTENTS**

PROFILE.....	4
DIRECTORS' REPORT .....	6
BALANCE SHEET on 30 June 2015 .....	8
PROFIT AND LOSS ACCOUNT for the period of 1 January - 30 June 2015 .....	9
CASH FLOW STATEMENT for the period 1 January – 30 June 2015.....	10
SELECTED NOTES TO THE REPORT ON THE FIRST HALF OF 2015 .....	11
OTHER INFORMATION.....	26
STATEMENT OF THE DEPOSITARY.....	27

## 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 1 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 Muijters and Geraldine O' Keeffe – 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.

During the reporting period, the Supervisory Board of the Fund comprised of three members, all 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 June 2015, the Fund has been operational for over four years and has shown strong performance over that period. Having launched the fund in May 2011 at Euro 100.00 a share, we 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 214.27 (plus 16.3%) as at 30 June 2015. The Fund recorded a profit for the period of Euro 11.3 million. 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 are presented in this report. Importantly, as stipulated in our last Director's report, we focus less on short term investment opportunities and remain convinced of 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 30 June 2015 the portfolio amounted to Euro 85.3 million, holding 17 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 during the period have been 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 vast majority of the investments was in European companies. 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.

### Outlook

We continue to believe there is substantial upward potential in the LSP Life Sciences Fund, with significant additional milestones and news flow expected from its portfolio companies in the remainder of the year 2015. Already, some of the anticipated milestones have materialized in this year, as exemplified by the strong performance of the fund in the first half year. We believe there is further upward potential in the current portfolio investments in the course of the year, should certain anticipated milestones materialize in favour of the investment companies. Going forward, the Fund will continue to selectively add, or dispose of, companies in line with its investment strategy.

**Fund's risk management**

The Fund's risk management function monitors the risks, among other things, on the basis of periodic reports from the fund administrator and other service providers. Please refer to pages 22 - 25 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 the first half of 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 first half of 2015 have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and give a true and fair view of the assets, liabilities and financial position of LSP Life Sciences Fund N.V. as at 30 June 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 half year report, together with the principal risks and uncertainties of upcoming six months;
- the report provides adequate disclosure of the principal transactions with related parties.

The director

**LSP Advisory B.V.**

Mark Wegter

Joep Muijters

Geraldine O'Keeffe



**BALANCE SHEET on 30 June 2015**(in thousands of Euro's, before appropriation of the result)  
(no audit or limited review is performed)

	Note	30 June 2015	31 December 2014
<b>Assets</b>			
<b>Investments</b>	<b>1</b>		
Investments in securities		85,304	47,808
Investments in derivatives		29	3,312
		<u>85,333</u>	<u>51,120</u>
<b>Receivables</b>	<b>2</b>		
Amounts receivable		128	101
<b>Other assets</b>	<b>3</b>		
Intangible assets		19	39
Cash accounts		12,621	23,911
		<u>12,640</u>	<u>23,950</u>
<b>Total Assets</b>		<u>98,101</u>	<u>75,171</u>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>	<b>4</b>		
Issued share capital		432	381
Share premium		45,318	34,159
Legal and statutory reserve		20	39
Other reserves		35,615	14,344
Unappropriated result		11,288	21,252
		<u>92,673</u>	<u>70,175</u>
<b>Current liabilities</b>	<b>5</b>		
Creditors and accrued expenses		5,428	4,996
<b>Total Liabilities and shareholders' equity</b>		<u>98,101</u>	<u>75,171</u>
Net Asset Value per share		214.27	184.21

**PROFIT AND LOSS ACCOUNT for the period of 1 January - 30 June 2015**

(in thousands of Euro's)  
(no audit or limited review is performed)

	Note	30 June 2015	30 June 2014
<b>Income from investments</b>			
Dividends on securities		8	-
<b>Realized movements in investments and other assets</b>			
Realized movements on securities	6	19,515	8,759
Realized movements on derivatives		-186	-
		19,329	8,759
<b>Unrealized movements in investments and other assets</b>			
Unrealized movements on securities		2,388	8,730
Unrealized movements on derivatives		-2,938	-1,041
Currency results on cash accounts		-3,362	-592
		-3,912	7,097
<b>Expenses</b>			
Management costs	7	3,861	3,337
Depositary costs	8	20	-
General and administrative expenses	9	111	128
Other operating expenses	10	19	19
Tax on dividends		-	26
Interest expenses on cash accounts		126	73
		4,137	3,583
<b>Result for the period</b>		11,288	12,273

**CASH FLOW STATEMENT for the period 1 January – 30 June 2015**

(in thousands of Euro's)  
(no audit or limited review is performed)

	<b>30 June 2015</b>	<b>30 June 2014</b>
<b>Cash flows from investment activities</b>		
Net result	11,288	12,273
Realized movements in investments and other assets	-19,329	-8,759
Unrealized movements in investments and other assets	3,912	-7,097
Purchase of investments and other assets	-51,872	-30,538
Sale of investments and other assets	36,438	41,159
Change in amounts receivable	-27	143
Change in intangible assets	20	19
Change in current liabilities	432	3,794
	<u>-19,138</u>	<u>10,994</u>
<b>Cash flows from financial activities</b>		
Issue of shares	32,389	8,181
Redemption of shares	-21,179	-13,726
<b>Total cash flows from financial activities</b>	<u>11,210</u>	<u>-5,545</u>
Currency results on cash accounts	-3,362	-592
<b>Net increase for the period</b>	<b>-11,290</b>	<b>4,857</b>
Opening balance	23,911	4,684
Closing balance	<u>12,621</u>	<u>9,541</u>
	-11,290	4,857

## SELECTED NOTES TO THE REPORT ON THE FIRST HALF OF 2015

### 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.

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

To facilitate comparison, the presentation of the comparative figures has been amended where deemed necessary.

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 30 June 2015, in Euro	
Danish Crown	0.13405
British Pound	1.41153
Swedish Krona	0.10817
United States Dollar	0.89750
Swiss Franc	0.96034

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.

Share premium account

This reserve originates from the issue and from the redemption of shares.

Other assets and liabilities

Cash accounts and liabilities are shown at their nominal value.

Profit and Loss account

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

Income

Dividends are recognised on an ex-dividend date basis. 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

Administrative 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****30 June 2015****31 December 2014****Securities**

Market value beginning of period	47,808	52,627
Purchases	51,872	51,936
Sales	-36,279	-92,585
Unrealized price movements	444	4,630
Unrealized currency movements	1,944	2,919
Realized price movements	17,938	26,282
Realized currency movements	1,577	1,999
Market value at end of period	85,304	47,808

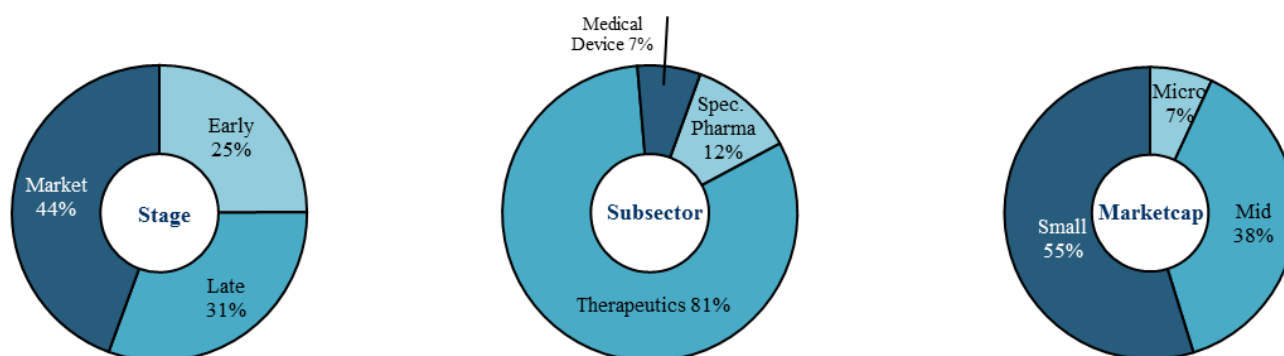
**Derivatives**

Market value beginning of period	3,312	6,581
Purchases	-	-
Sales	-159	-
Unrealized price movements	-2,919	-3,299
Unrealized currency movements	-19	30
Realized price movements	-213	-
Realized currency movements	27	-
Market value at end of period	29	3,312

The parameters used for the valuation of the non-listed warrants are:

Parameter	Warrant C	Warrant D
	Sphere Medical serie 1 07/15/13-07/14/18	Sphere Medical serie 2 07/15/13-07/14/18
Expiration date	Jul-18	Jul-18
Remaining life	3.04 years	3.04 years
Price of underlying share at value date	GBp 17.75	GBp 17.75
Exercise price	GBp 92.50	GBp 44.00
Vesting period	-	-
Expected dividend yield	0.00%	0.00%
Expected volatility	29.82%	29.82%
Rate of yield curve	1.37%	1.37%

The Fund's investments are classified according to stage, subsector and market capitalization. The breakdown of the Fund's portfolio per 30 June 2015 is shown below.



<b>Stage</b> at year end	<b>2015-06</b>	<b>2014-12</b>
Early Stage	25%	34%
Late Stage	31%	55%
Market	44%	11%

<b>Subsector</b> at year end	<b>2015-06</b>	<b>2014-12</b>
Therapeutics	81%	74%
Medical Device	7%	19%
Specialty Pharma	12%	7%
CRO	0%	0%

<b>Marketcap</b> at year end	<b>2015-06</b>	<b>2014-12</b>
Microcap	7%	14%
Smallcap	55%	64%
Midcap	38%	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.

<b>Company</b>	<b>Stage</b>	<b>Subsector</b>	<b>Marketcap</b>	<b>%</b>
Enanta Pharmaceuticals	Market	Therapeutics	Small	7.2%
Cempra	Late	Therapeutics	Mid	7.0%
Neurocrine Biosciences	Late	Therapeutics	Mid	6.9%
Ablynx	Early	Therapeutics	Small	6.2%
ProQR Therapeutics	Early	Therapeutics	Small	6.2%
Zealand Pharma	Market	Therapeutics	Small	6.0%
Circassia Pharmaceuticals	Late	Therapeutics	Small	5.6%
Forward Pharma	Late	Therapeutics	Mid	5.5%
Clinigen Group	Market	Specialty Pharma	Small	5.5%
Genmab	Market	Therapeutics	Mid	5.4%
Ascendis Pharma	Early	Therapeutics	Small	5.3%
PTC Therapeutics	Market	Therapeutics	Mid	5.2%
Galapagos	Early	Therapeutics	Mid	5.2%
Egalet	Market	Specialty Pharma	Small	5.2%
Lombard Medical	Market	Medical Device	Micro	3.4%
Celyad	Late	Therapeutics	Small	3.2%
Sphere Medical	Market	Medical Device	Micro	3.0%



<b>2. Amounts receivable</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Sale of investments	113	-
Issued capital receivable from shareholders	15	101
Value at end of period	128	101

<b>3. Other assets</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
<b><u>Intangible assets</u></b>		
Establishment expenses	195	195
Depreciation	-176	-156
Value at end of period	19	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.

**4. 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 30 June 2015 amounts to 432,500.

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Issued share capital</b>		
Balance at beginning of period	381	467
Issued	153	82
Redemption	-102	-168
Balance at end of the period	432	381
<b>Share premium account</b>		
Balance at beginning of period	34,159	47,742
Issue of shares	32,236	12,594
Redemption of shares	-21,077	-26,177
Balance at end of the period	45,318	34,159
<b>Legal and statutory reserve</b>		
Balance at beginning of period	39	78
Intangible assets (establishment expenses)	-19	-39
Balance at end of the period	20	39
<b>Other reserves</b>		
Balance at beginning of period	14,344	1,530
Result appropriation for previous year	21,252	12,775
Intangible assets (establishment expenses)	19	39
Balance at end of the period	35,615	14,344
<b>Number of issued capital</b>		
Balance at beginning of period	380,941	467,271
Issued	153,167	81,848
Redemption	-101,608	-168,178
Balance at end of the period	432,500	380,941
Number of shares	432,500	380,941
Net Asset Value	92,673	70,175
Net Asset Value per share	214.27	184.21
<b>Unappropriated result</b>		
Balance at beginning of period	21,252	12,775
<b>Result for previous year added to the other reserves</b>	-21,252	-12,775
Result for the period	11,288	21,252
Balance at end of the period	11,288	21,252

**5. Current liabilities****30 June 2015****31 December 2014****Creditors and accrued expenses**

Interest	25	20
Share redemptions payable to shareholders	151	6
Purchase of investments	1,821	-
General and administrative expenses	59	92
Management fee	122	92
Performance fee	3,250	4,786
	<hr/>	<hr/>
	5,428	4,996

The creditors and accrued expenses are payable within one year.

**General and administrative expenses**

Fund administration fee	15	17
Remuneration of the Supervisory Board	21	38
Auditor's remuneration	13	25
Governance costs	7	7
Advisory costs	3	5
	<hr/>	<hr/>
	59	92

## Notes to the Profit and Loss account

### 6. Realized and unrealized movements in investments and other assets

	30 June 2015	30 June 2014
<b>Realized movements on securities</b>		
Realized gains on securities	17,938	9,142
Currency results on securities	1,577	-383
	19,515	8,759
<b>Realized movements on derivatives</b>		
Realized gains on securities	-213	-
Currency results on securities	27	-
	-186	-
<b>Unrealized movements on securities</b>		
Change in unrealized gains on securities	444	8,138
Currency results on securities	1,944	592
	2,388	8,730
<b>Unrealized movements on derivatives</b>		
Change in unrealized gains on derivatives	-2,919	-1,047
Currency results on derivatives	-19	6
	-2,938	-1,041

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.

<b>Realized movements 30 June 2015</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	19,631	-116	19,515
Derivatives	27	-213	-186

<b>Unrealized movements 30 June 2015</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	24,367	-21,979	2,388
Derivatives	205	-3,143	-2,938

<b>Realized movements 30 June 2014</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	15,176	-6,417	8,759
Derivatives	-	-	-

<b>Unrealized movements 30 June 2014</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
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 3,362 thousand (H1-2014: -592 thousand), whilst the realized and unrealized currency result of the investments amounted to a profit of Euro 3,529 thousand (H1-2014: +215 thousand). The net currency result of the Fund thus amounted to a profit of Euro 167 thousand (H1-2014: -377 thousand).

## 7. 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 611 thousand (H1-2014: 495 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 138.10 at 30 June 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 at 30 June 2015. 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 221.78, yielding an excess performance of Euro 37.57 per share above the High Watermark. The performance fee amounts to 20% of this excess performance, multiplied by the number of shares outstanding results in a performance fee payable for the period in the amount of Euro 3,250 thousand (H1-2014: 2,842 thousand).

(in Euro per share)	30 June 2015	30 June 2014
Net Asset Value (before performance fee)	221.78	166.79
Hurdle	138.10	127.87
High Watermark	184.21	133.95
Excess performance	37.57	32.84
Performance fee (20% of excess performance)	7.51	6.57
Number of shares outstanding	432,500	432,637

**8. Depositary costs**

Following the coming into force of the Alternative Investment Fund Manager Directive (AIFMD) 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.

<b>9. General and administrative expenses</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
Fund administration fee, custody and bank fees	64	77
Remuneration of the Supervisory Board	21	21
Auditor's remuneration	13	12
Governance costs	1	3
Advisory costs	4	11
Other costs	8	4
	111	128

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.

<b>10. Other operating expenses</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
Amortisation of establishment expenses	19	19
	19	19

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

**Remuneration of the Supervisory Board**

The total of remuneration for the members of the Supervisory Board for the period amounts to Euro 21 thousand (H1-2014: 21 thousand).

<b>Supervisory Board member</b>	<b>Remuneration</b>
Pauline Bieringa	9
Hanso Schotanus à Steringa Idzerda	6
Onno Paymans	6

**Personnel**

The Fund did not employ any personnel.

**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 first half 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 30 June 2015 the 5 single largest holdings account for 34% 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, Swiss Franc and United States Dollar was partially hedged by contrary positions on the respective foreign currency cash accounts.



Net currency exposure	at 30 June 2015		at 31 December 2014	
	in Local Currency	in Euro	in Local Currency	in Euro
Danish crown	-1,272	-171	-	-
British Pound	246	347	75	97
United States Dollar	4,163	3,736	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 12,621 thousand as at 30 June 2015 (year-end 2014: 23,911 thousand), are held with the KAS BANK N.V. which is rated by Standard & Poor’s as long term BBB+ and short term A-2.

***Settlement risk***

The Fund can be subject to the risk of 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 611 thousand (H1-2014: 495 thousand) and for the reporting period a performance fee of Euro 3,250 thousand is accrued for the Fund Manager (H1-2014: 2,842). 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 the first half 2015 (H1-2014: 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 30 June 2015 (year-end 2014: no interests).

One member of the Supervisory Board holds a total of 200 shares in the Fund as at 30 June 2015 (year-end 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 13,060 (year-end 2014:13,005) shares in the Fund. The lock-up period as described in the prospectus of the Fund has expired.

Amsterdam, 28 August 2015

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.

## 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 29 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 30 June 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, 28 August 2015