

LSP Life Sciences Fund N.V.

Report on the first half of 2016

LSP LIFE SCIENCES FUND N.V.

(no audit or limited review is performed)

Report on the first half of
2016

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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 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.

The Supervisory Board of the Fund comprises of 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 June 2016, the Fund has been operational for over five 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 2015, most of these investments have achieved major value increasing milestones during the past six months. In spite of these positive fundamental developments, the Net Asset Value per share moved from Euro 211.92 as at 31 December 2015 to Euro 170.17 (minus 20.0%) as at 30 June 2016. The extreme volatility of the global equity markets in particular at the start of the year as well as the uncertainty around the EU referendum in the UK in June, were attributable to this negative performance. As a result, the Fund recorded a loss for the period of Euro 18.7 million compared to a profit of Euro 11.3 million in the first half of last 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 2.5 billion. As at 30 June 2016 the value of the portfolio amounted to Euro 68.8 million (year-end 2015: 85.2 million) holding 18 names (year-end 2015: 18 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 & Depository Services B.V. as Depository for the Fund in accordance with the directive. The Depository is responsible for (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 Depository has delegated its day-to-day custody tasks to KAS BANK N.V. The depository 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 Depository 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 24 - 26 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 2016 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 2016 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 30 June 2016 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 Muijters

Geraldine O'Keeffe

BALANCE SHEET on 30 June 2016

(in thousands of Euro's, before appropriation of the result)
(no audit or limited review is performed)

	Note	30 June 2016	31 December 2015
Assets			
Investments			
	1		
Investments in securities		68,847	85,190
Investments in derivatives		1	1
		68,848	85,191
Receivables			
Issued capital receivable from shareholders		89	123
Other assets			
	2		
Cash accounts		9,026	13,799
		77,963	99,113
Total Assets			
Liabilities and shareholders' equity			
Shareholders' equity			
	3		
Issued share capital		444	448
Share premium		47,826	48,550
Other reserves		45,950	35,635
Unappropriated result		-18,655	10,315
		75,565	94,948
Current liabilities			
	4		
Creditors and accrued expenses		2,398	4,165
		77,963	99,113
Total Liabilities and shareholders' equity			
Net Asset Value per share		170.17	211.92

PROFIT AND LOSS ACCOUNT for the period of 1 January – 30 June 2016

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

	Note	30 June 2016	30 June 2015
Income from investments			
Dividends on securities		-16	8
Realized movements in investments and other assets			
Realized movements on securities	5	-10,750	19,515
Realized movements on derivatives		-	-186
		<u>-10,750</u>	<u>19,329</u>
Unrealized movements in investments and other assets			
Unrealized movements on securities	5	-8,709	2,388
Unrealized movements on derivatives		-	-2,938
Currency results on cash accounts		1,798	-3,362
		<u>-6,911</u>	<u>-3,912</u>
Expenses			
Management costs	6	576	3,861
Depositary costs	7	8	20
Fund operational costs	8	147	111
Other operating expenses	9	-	19
Interest expenses on cash accounts		247	126
		<u>978</u>	<u>4,137</u>
Result for the period		<u><u>-18,655</u></u>	<u><u>11,288</u></u>

CASH FLOW STATEMENT for the period 1 January – 30 June 2016

(in thousands of Euro's)

(no audit or limited review is performed)

	30 June 2016	30 June 2015
Cash flows from investment activities		
Net result	-18,655	11,288
Realized movements in investments and other assets	10,750	-19,329
Unrealized movements in investments and other assets	6,911	3,912
Purchase of investments and other assets	-52,848	-51,872
Sale of investments and other assets	49,732	36,438
Change in amounts receivable	34	-27
Change in intangible assets	-	20
Change in current liabilities	-1,767	432
	<u>-5,843</u>	<u>-19,138</u>
Cash flows from financial activities		
Issue of shares	4,988	32,389
Redemption of shares	-5,716	-21,179
Total cash flows from financial activities	<u>-728</u>	<u>11,210</u>
Currency results on cash accounts	1,798	-3,362
Net increase for the period	-4,773	-11,290
Opening balance	13,799	23,911
Closing balance	<u>9,026</u>	<u>12,621</u>
	-4,773	-11,290

SELECTED NOTES TO THE REPORT ON THE FIRST HALF OF 2016

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 30 June 2016, in Euro	
Danish Crown	0.13441
British Pound	1.20330
Swedish Krona	0.10624
United States Dollar	0.90013
Swiss Franc	0.92396
Norwegian Krone	0.10757

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

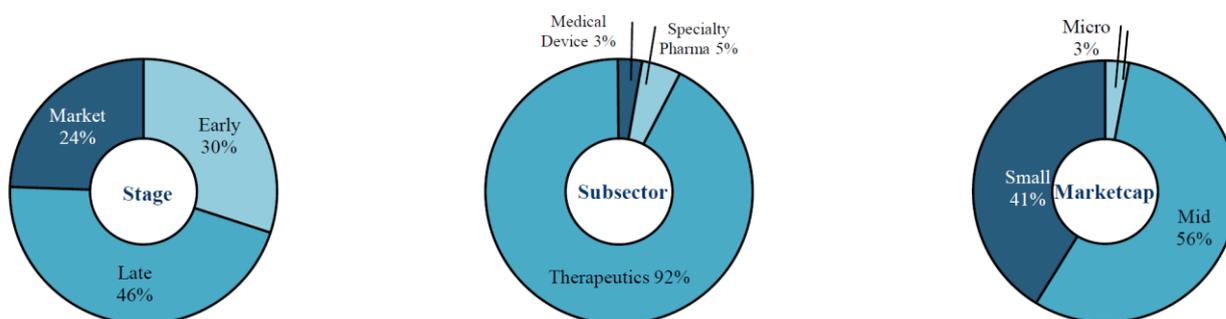
1. Investments

	30 June 2016	31 December 2015
Securities		
Market value beginning of period	85,190	47,808
Purchases	52,848	114,378
Sales	-49,732	-95,116
Unrealized price movements	-6,830	-11,228
Unrealized currency movements	-1,879	-277
Realized price movements	-10,207	25,306
Realized currency movements	-543	4,319
Market value at end of period	68,847	85,190
Derivatives		
Market value beginning of period	1	3,312
Purchases	-	-
Sales	-	-4,531
Unrealized price movements	-	-2,947
Unrealized currency movements	-	-19
Realized price movements	-	4,531
Realized currency movements	-	-345
Market value at end of period	1	1

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	2.04 years	2.04 years
Price of underlying share at value date	GBP 9.375	GBP 9.375
Exercise price	GBP 92.50	GBP 44.00
Vesting period	-	-
Expected dividend yield	0.00%	0.00%
Expected volatility	52.08%	52.08%
Rate of yield curve	0.49%	0.49%

The Fund's investments are classified according to stage, subsector and market capitalization. The breakdown of the Fund's portfolio per 30 June 2016 is shown below.



Stage at year end	2016-06	2015-12
Early Stage	30%	16%
Late Stage	46%	57%
Market	24%	27%

Subsector at year end	2016-06	2015-12
Therapeutics	92%	87%
Medical Device	3%	3%
Specialty Pharma	5%	10%

Marketcap at year end	2016-06	2015-12
Microcap	3%	3%
Smallcap	41%	40%
Midcap	56%	57%

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	%
GW Pharmaceuticals	Market	Therapeutics	Mid	8.3%
Galapagos	Late	Therapeutics	Mid	7.4%
Cempra	Late	Therapeutics	Small	7.3%
Genmab	Market	Therapeutics	Mid	7.0%
Neuroderm	Early	Therapeutics	Small	6.7%
Ablynx	Early	Therapeutics	Small	6.4%
Forward Pharma	Late	Therapeutics	Small	6.1%
Spark Therapeutics	Late	Therapeutics	Mid	5.6%
Neurocrine Biosciences	Late	Therapeutics	Mid	5.3%
Morphosys	Late	Therapeutics	Mid	4.9%
Ophthotech	Late	Therapeutics	Mid	4.9%
Evotec	Early	Therapeutics	Small	4.8%
Clinigen Group	Market	Specialty Pharma	Small	4.3%
Kite Pharma	Early	Therapeutics	Mid	3.9%
Juno Therapeutics	Early	Therapeutics	Mid	3.7%
ProQR Therapeutics	Early	Therapeutics	Small	2.0%
Sphere Medical	Market	Medical Device	Micro	1.6%
Lombard Medical	Market	Medical Device	Micro	1.0%
				91.1%

2. Other assets

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 account and a debit balance on the British Pound, Danish Crown, Swiss Franc and United States Dollar currency accounts as shown in below table.

Cash account	at 30 June 2016		at 31 December 2015	
	in Local Currency	in Euro	in Local Currency	in Euro
Euro	57,478	57,478	70,735	70,735
Swiss Franc	-4	-4	-	-
Danish Crown	-35,910	-4,827	15	2
British Pound	-3,477	-4,183	-9,088	-12,330
United States Dollar	-43,813	-39,438	-48,457	-44,608
Total		9,026		13,799

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 30 June 2016 amounts to 444,041.

	30 June 2016	31 December 2015
Issued share capital		
Balance at beginning of period	448	381
Issued	31	179
Redemption	-35	-112
Balance at end of the period	444	448
Share premium account		
Balance at beginning of period	48,550	34,159
Issue of shares	4,957	37,599
Redemption of shares	-5,681	-23,208
Balance at end of the period	47,826	48,550
Legal and statutory reserve		
Balance at beginning of period	-	39
Amortisation of intangible assets	-	-39
Balance at end of the period	-	-
Other reserves		
Balance at beginning of period	35,635	14,344
Result appropriation for previous year	10,315	21,252
Release of legal and statutory reserve	-	39
Balance at end of the period	45,950	35,635
Number of issued shares		
Balance at beginning of period	448,036	380,941
Issued	30,500	178,670
Redemption	-34,495	-111,575
Balance at end of the period	444,041	448,036
Number of shares	444,041	448,036
Net Asset Value	75,565	94,948
Net Asset Value per share	170.17	211.92
Unappropriated result		
Balance at beginning of period	10,315	21,252
Result previous year added to other reserves	-10,315	-21,252
Result for the period	-18,655	10,315
Balance at end of the period	-18,655	10,315

4. Current liabilities**30 June 2016****31 December 2015****Creditors and accrued expenses**

Interest	38	32
Share redemptions payable to shareholders	6	807
Purchase of investments	2,168	-
Fund operational costs	89	98
Management fee	97	125
Performance fee	-	3,103
	<hr/>	<hr/>
	2,398	4,165

The creditors and accrued expenses are payable within one year.

Fund operational costs

Fund administration fee	27	17
Remuneration of the Supervisory Board	46	37
Governance costs	1	7
Auditor's remuneration	16	32
Advisory costs	-1	5
	<hr/>	<hr/>
	89	98

Notes to the Profit and Loss account

5. Realized and unrealized movements in investments and other assets

	30 June 2016	30 June 2015
Realized movements on securities		
Realized gains on securities	-10,207	17,938
Currency results on securities	-543	1,577
	-10,750	19,515
Realized movements on derivatives		
Realized gains on securities	-	-213
Currency results on securities	-	27
	-	-186
Unrealized movements on securities		
Change in unrealized gains on securities	-6,830	444
Currency results on securities	-1,879	1,944
	-8,709	2,388
Unrealized movements on derivatives		
Change in unrealized gains on derivatives	-	-2,919
Currency results on derivatives	-	-19
	-	-2,938

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 30 June 2016			
	Gains	Losses	Total
Securities	5,095	-15,845	-10,750
Derivatives	-	-	-
Unrealized movements 30 June 2016			
	Gains	Losses	Total
Securities	10,052	-18,761	-8,709
Derivatives	-	-	-
Realized movements 30 June 2015			
	Gains	Losses	Total
Securities	19,631	-116	19,515
Derivatives	27	-213	-186
Unrealized movements 30 June 2015			
	Gains	Losses	Total
Securities	24,367	-21,979	2,388
Derivatives	205	-3,143	-2,938

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 gain of Euro 1,799 thousand (H1-2015: -3,362 thousand), whilst the realized and unrealized currency result of the investments amounted to a loss of Euro 2,422 thousand (H1-2015: +3,529 thousand). The net currency result of the Fund thus amounted to a loss of Euro 623 thousand (H1-2015: +167 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 576 thousand (H1-2015: 611 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 149.17 at 30 June 2016. The high watermark is set to the highest Net Asset Value per share at the end of all preceding years, i.e. Euro 211.92. 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 170.17, hence no performance fee is payable for the period (H1-2015: 3,250 thousand).

(in Euro per share)	30 June 2016	30 June 2015
Net Asset Value (before performance fee)	170.17	221.78
Hurdle	149.17	138.10
High Watermark	211.92	184.21
Excess performance	-	37.57
Performance fee (20% of excess performance)	-	7.51
Number of shares outstanding	444,041	432,500

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	30 June 2016	30 June 2015
Fund administration fee, custody and bank fees	99	64
Remuneration of the Supervisory Board	15	21
Governance costs	1	1
Auditor's remuneration	16	13
Advisory costs	7	4
Other costs	9	8
	147	111

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'.

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.

	30 June 2016		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Audit of the financial statements	16	-	16
Other audit engagements	-	-	-
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	16	-	16

	30 June 2015		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Audit of the financial statements	13	-	13
Other audit engagements	-	-	-
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	13	-	13

9. Other operating expenses

	30 June 2016	30 June 2015
Amortisation of establishment expenses	-	19
	-	19

The establishment expenses are capitalized at the level of the Fund and are amortized over a period of 5 years. These have been fully amortized per year-end 2015, hence there is no amortization charge for 2016.

Remuneration of the Supervisory Board

The total of remuneration for the members of the Supervisory Board for the period amounts to Euro 15 thousand (H1-2015: 21 thousand).

Supervisory Board member	30 June 2016	30 June 2015
Pauline Bieringa	9	9
Onno Paymans	6	6
Hanso Schotanus à Steringa Idzerda	-	6
	15	21

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 (semi)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 30 June 2016 the 5 single largest holdings account for 37% of the Net Asset Value of the Fund (year-end 2015: 43%).

(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 30 June 2016		at 31 December 2015	
	in Local Currency	in Euro	in Local Currency	in Euro
Swiss franc	-4	-4	-	-
Danish Crown	3,415	459	15	2
British Pound	269	324	581	789
United States Dollar	-144	-129	-2,218	-2,041

(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 9,026 thousand as at 30 June 2016 (year-end 2015: 13,799), 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 576 thousand (H1-2015: 611 thousand) and for the reporting period a performance fee of Euro 0 thousand is due (H1-2015: 3,250). 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 of 2015 (H1-2015: 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 2016 (year-end 2015: no interests).

One member of the Supervisory Board holds a total of 200 shares in the Fund as at 30 June 2016 (year-end 2015: 200 shares).

Employees of the Fund Manager, LSP or its affiliates participate in the Fund against a market price. These persons own in aggregate 14,735 (year-end 2015:13,355) shares in the Fund. The lock-up period as described in the prospectus of the Fund has expired.

Amsterdam, 2 August 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.

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 30 June 2016, (“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, 2 August 2016