

LSP Life Sciences Fund N.V.

Annual Report 2014

LSP
Life Sciences Partners

LSP LIFE SCIENCES FUND N.V.

Annual Report

2014

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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 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 Muijers 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 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 December 2014, the Fund has been operational for over three 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 2013, a number of these investments have achieved major value increasing milestones during the past twelve months. As a result, the Net Asset Value per share moved from Euro 133.95 as at 31 December 2013 to Euro 184.21 (plus 37.5%) as at 31 December 2014. The Fund recorded a profit for the period of Euro 21.3 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 is presented in this report. Importantly, as previously stipulated in our last Director's report, we focus to a lesser extent 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 31 December 2014 the portfolio amounted to Euro 51.1 million, holding 13 names.

The portfolio consists exclusively of equity (-derived) positions in listed life sciences companies that jointly provide a balanced - yet concentrated - exposure to the sector. Investments have been spread across clinical stage of development, disease area, geography, field of technology and business model. The majority of the investments in the period were in the area of drug development, combined with investments in innovative diagnostics, medical devices and specialty pharma companies. Equity stakes were predominantly below 5% of the portfolio company's outstanding capital, the exact size depending on company specific factors such as liquidity, market capitalization, timing of expected news flow and long term outlook. Holding periods consequently varied. The vast majority of the investments was in European companies. Again, as we have seen in 2013, we were offered to participate in a number of structured investment opportunities, providing additional upside to the fund. 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

As we described in our last Director's report, 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 year 2015. Already, some of the anticipated milestones have materialized in this year, as exemplified by the strong performance of the fund over that period. We believe there is further upward potential in the current portfolio investments in the next 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.

Alternative Investment Fund Managers Directive

During the year the Fund Manager has implemented the Alternative Investment Fund Managers Directive (AIFMD) that came into force on 22 July 2014. Furthermore it has appointed KAS Trust & Depositary Services B.V. as Depositary for the Fund in accordance with the directive.

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 25 - 27 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 2014 the Fund Manager has not exercised its voting rights.

Administrative organization and internal controls

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

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

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

- the financial statements for the year 2014 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 31 December 2014 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.

The director

LSP Advisory B.V.

Mark Wegter

Joep Muijers

Geraldine O'Keeffe

SUPERVISORY BOARD REPORT

In accordance with the Fund documents, the Supervisory Board of the Fund meets at least quarterly and at such times as the Supervisory Board or the directors of the Fund Manager deem necessary. During the year 2014, the Supervisory Board held 4 meetings together with the directors of the Fund Manager.

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

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

At the Annual Shareholders meeting of 27 May 2014, Mr. Hanso Schotanus à Steringa Idzerda succeeded Mr. Tom van Wijngaarden as Supervisory Board member.

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

Pauline Bieringa (chair)

Hanso Schotanus à Steringa Idzerda

Onno Paymans

KEY FIGURES

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

	2014	2013	2012
Net Asset Value	70,175	62,592	41,278
Number of shares outstanding	380,941	467,271	396,581
Net Asset Value per share	184.21	133.95	104.08
Share price performance	37.5%	28.7%	23.9%
Net Result	21,252	12,775	7,870
Ongoing Charges Figure (OCF) ¹	2.03%	2.07%	2.11%
Performance figure ²	7.43%	2.46%	0.00%
Turnover Ratio ³	164%	154%	144%

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

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

3) The calculation method for the turnover ratio has been changed and adjusted for the comparative years

BALANCE SHEET on 31 December 2014

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

	Note	31 December 2014	31 December 2013
Assets			
Investments	1		
Investments in securities		47,808	52,627
Investments in derivatives		3,312	6,581
		<u>51,120</u>	<u>59,208</u>
Receivables			
Amounts receivable		101	170
Other assets	2		
Intangible assets		39	78
Cash accounts		23,911	4,684
		<u>23,950</u>	<u>4,762</u>
Total Assets		<u>75,171</u>	<u>64,140</u>
Liabilities and shareholders' equity			
Shareholders' equity	3		
Issued share capital		381	467
Share premium		34,159	47,742
Legal and statutory reserve		39	78
Other reserves		14,344	1,530
Unappropriated result		21,252	12,775
		<u>70,175</u>	<u>62,592</u>
Current liabilities	4		
Creditors and accrued expenses		4,996	1,548
Total Liabilities and shareholders' equity		<u>75,171</u>	<u>64,140</u>
Net Asset Value per share		184.21	133.95

PROFIT AND LOSS ACCOUNT for the year 2014

(in thousands of Euro's)

	Note	31 December 2014	31 December 2013
Income from investments			
Dividends on securities		-13	1
Realized movements in investments and other assets 5			
Realized movements on securities		28,281	7,451
Realized movements on derivatives		-	-
		28,281	7,451
Unrealized movements in investments and other assets 5			
Unrealized movements on securities		7,549	3,795
Unrealized movements on derivatives		-3,269	3,386
Currency results on cash accounts		-4,992	686
		-712	7,867
Expenses			
Management costs	6	5,787	2,069
Depositary costs	7	15	-
General and administrative expenses	8	254	248
Other operating expenses	9	39	39
Interest expenses on cash accounts		209	188
		6,304	2,544
Result for the period		21,252	12,775

CASH FLOW STATEMENT for the year 2014

(in thousands of Euro's)

	2014	2013
Cash flows from investment activities		
Net result	21,252	12,775
Realized movements in investments and other assets	-28,281	-7,451
Unrealized movements in investments and other assets	712	-7,867
Purchase of investments and other assets	-51,936	-51,630
Sale of investments and other assets	92,585	41,826
Change in amounts receivable	69	-166
Change in intangible assets	39	39
Change in current liabilities	3,448	1,384
	37,888	-11,090
Cash flows from financial activities		
Issue of shares	12,676	10,969
Redemption of shares	-26,345	-2,430
Total cash flows from financial activities	-13,669	8,539
Currency results on cash accounts	-4,992	686
Net increase for the period	19,227	-1,865
Opening balance	4,684	6,549
Closing balance	23,911	4,684
	19,227	-1,865

SELECTED NOTES TO THE ANNUAL REPORT OF 2014

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 31 December 2014, in Euro	
Danish Crown	0.13429
British Pound	1.28858
Swedish Krona	0.10557
United States Dollar	0.82641
Swiss Franc	0.83170

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

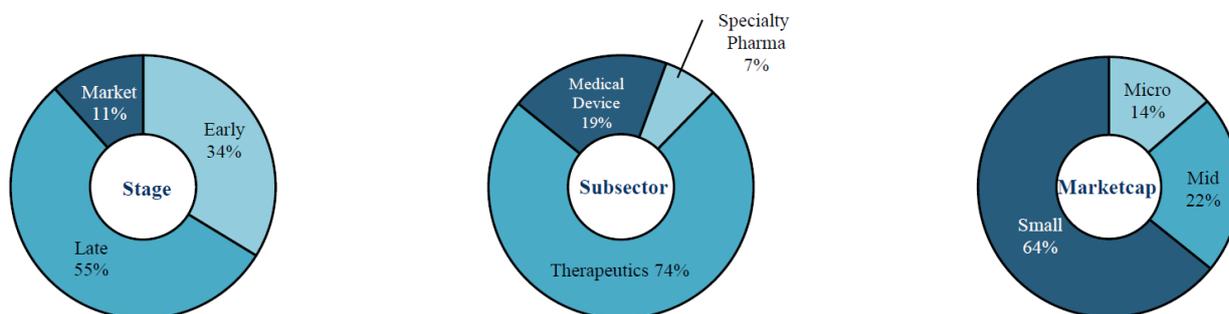
1. Investments

	31 December 2014	31 December 2013
Securities		
Market value beginning of period	52,627	31,577
Purchases	51,936	51,630
Sales	-92,585	-41,826
Unrealized price movements	4,630	4,351
Unrealized currency movements	2,919	-556
Realized price movements	26,282	7,819
Realized currency movements	1,999	-368
Market value at end of period	47,808	52,627
Derivatives		
Market value beginning of period	6,581	3,195
Purchases	-	-
Sales	-	-
Unrealized price movements	-3,299	3,409
Unrealized currency movements	30	-23
Realized price movements	-	-
Realized currency movements	-	-
Market value at end of period	3,312	6,581

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

Parameter	Warrant A	Warrant C	Warrant D
Expiration date	May-17	Jul-18	Jul-18
Remaining life	2.41 years	3.54 years	3.54 years
Price of underlying share at value date	USD 6.73	GBP 23.00	GBP 23.00
Exercise price	USD 3.40	GBP 92.50	GBP 44.00
Vesting period	-	-	-
Expected dividend yield	0.00%	0.00%	0.00%
Expected volatility	93.94%	33.28%	33.28%
Rate of yield curve	1.06%	1.23%	1.23%

The Fund's investments are classified according to stage, subsector and market capitalization. The breakdown of the Fund's portfolio per 31 December 2014 is shown below.



Stage at year end	2014	2013
Early Stage	34%	8%
Late Stage	55%	41%
Market	11%	51%

Subsector at year end	2014	2013
Therapeutics	74%	49%
Medical Device	19%	27%
Specialty Pharma	7%	12%
CRO	0%	12%

Marketcap at year end	2014	2013
Microcap	14%	9%
Smallcap	64%	84%
Midcap	22%	7%

Portfolio breakdown

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

Company	Stage	Subsector	Marketcap	%
Cempra	Late	Therapeutics	Small	10.0%
Enanta Pharmaceuticals	Late	Therapeutics	Small	8.1%
Ablynx	Early	Therapeutics	Small	6.8%
Innate Pharma	Early	Therapeutics	Small	6.8%
Lombard Medical	Late	Medical Device	Micro	6.3%
Collectis	Early	Therapeutics	Small	5.6%
PTC Therapeutics	Late	Therapeutics	Mid	5.5%
MorphoSys	Early	Therapeutics	Mid	5.5%
Neurocrine Biosciences	Late	Therapeutics	Mid	5.3%
Clinigen Group	Market	Specialty Pharma	Small	4.9%
AcelRX	Late	Medical Device	Small	4.4%
Sphere Medical	Market	Medical Device	Micro	3.6%
Synergy Pharmaceuticals	Late	Therapeutics	Small	0.3%

2. Other assets**31 December 2014** **31 December 2013**Intangible assets

Establishment expenses	195	195
Depreciation	-156	-117
Value at end of period	39	78

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.

3. Shareholders' equity

The authorized share capital of the Fund is Euro 1,000,000 and is divided in 1,000,000 shares with a par value of Euro 1.00 each. The number of issued shares at 31 December 2014 amounts to 380,941.

	31 December 2014	31 December 2013
Issued share capital		
Balance at beginning of period	467	397
Issued	82	90
Redemption	-168	-20
Balance at end of the period	381	467
Share premium account		
Balance at beginning of period	47,742	39,273
Issue of shares	12,594	10,879
Redemption of shares	-26,177	-2,410
Balance at end of the period	34,159	47,742
Legal and statutory reserve		
Balance at beginning of period	78	117
Intangible assets (establishment expenses)	-39	-39
Balance at end of the period	39	78
Other reserves		
Balance at beginning of period	1,530	-6,379
Result appropriation for previous year	12,775	7,870
Intangible assets (establishment expenses)	39	39
Balance at end of the period	14,344	1,530
Number of issued capital		
Balance at beginning of period	467,271	396,581
Issued	81,848	90,800
Redemption	-168,178	-20,110
Balance at end of the period	380,941	467,271
Number of shares	380,941	467,271
Net Asset Value	70,175	62,592
Net Asset Value per share	184.21	133.95
Unappropriated result		
Balance at beginning of period	12,775	7,870
Result for previous year added to the other reserves	-12,775	-7,870
Result for the period	21,253	12,775
Balance at end of the period	21,253	12,775

4. Current liabilities**31 December 2014** **31 December 2013****Creditors and accrued expenses**

Interest	20	17
Share redemptions payable to shareholders	6	69
General and administrative expenses	92	105
Management fee	92	77
Performance fee	4,786	1,280
	<hr/>	<hr/>
	4,996	1,548

The creditors and accrued expenses are payable within one year.

General and administrative expenses

Fund administration fee	17	16
Remuneration of the Supervisory Board	38	42
Auditor's remuneration	25	24
Governance costs	7	5
Advisory costs	5	15
Other costs	-	3
	<hr/>	<hr/>
	92	105

Notes to the Profit and Loss account

5. Realized and unrealized movements in investments and other assets

	2014	2013
Realized movements on securities		
Realized gains on securities	26,282	7,819
Currency results on securities	1,999	-368
	28,281	7,451
Realized movements on derivatives		
Realized gains on securities	-	-
Currency results on securities	-	-
	-	-
Unrealized movements on securities		
Change in unrealized gains on securities	4,630	4,351
Currency results on securities	2,919	-556
	7,549	3,795
Unrealized movements on derivatives		
Change in unrealized gains on derivatives	-3,299	3,409
Currency results on derivatives	30	-23
	-3,269	3,386

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	Gains	Losses	Total
Securities	36,786	-8,505	28,281
Derivatives	-	-	-

Unrealized movements	Gains	Losses	Total
Securities	22,373	-14,824	7,549
Derivatives	-	-3,269	-3,269

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 4,992 thousand (2013: +686 thousand), whilst the realized and unrealized currency result of the investments amounted to a profit of Euro 4,948 thousand (2013: -947 thousand). The net currency result of the Fund thus amounted to a loss of Euro 44 thousand (2013: -261 thousand).

6. Management costs

Management Fee

The Fund Manager is entitled to an annual management fee due by the Fund to the Fund Manager equal to 1.5% per annum of the Net Asset Value excluding (i.e. before deduction of) the accrued management fee and performance fee. The management fee accrues on a daily basis by reference to the latest Net Asset Value and is payable by the Fund in arrears as per the last business day of each month. The management fee amounts to Euro 1,001 thousand (2013: 789 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 132.83 at 31 December 2014. The high watermark is set to the highest Net Asset Value per share at the end of all preceding years, i.e. Euro 133.95 as at 31 December 2013. 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 196.77, yielding an excess performance of Euro 62.82 per share above the High Watermark. The performance fee amounts to 20% of this excess performance, multiplied by the number of shares outstanding per year end 2014 results in a performance fee payable for the period in the amount of Euro 4,786 thousand (2013: 1,280 thousand).

(in Euro per share)	31 December 2014	31 December 2013
Net Asset Value (before performance fee)	196.77	136.69
Hurdle	132.83	122.99
High Watermark	133.95	n/a
Excess performance	62.82	13.70
Performance fee (20% of excess performance)	12.56	2.74
Number of shares outstanding	380,941	467,271

7. 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.

8. General and administrative expenses	2014	2013
Fund administration fee, custody and bank fees	146	146
Remuneration of the Supervisory Board	43	42
Auditor's remuneration	30	28
Governance costs	4	5
Advisory costs	9	18
Other costs	22	9
	254	248

Invoices relating to custody services for the period before the AIFMD came into force amount to Euro 6 thousand (2013: 8 thousand) and are included in the line item Fund administration, custody and bank fees. 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. The auditor's remuneration amounts to Euro 27 thousand in respect of the audit of the financial statements and Euro 3 thousand for the assurance procedures performed on the prospectus. The auditor has performed no other services for the Fund.

9. Other operating expenses	2014	2013
Amortisation of establishment expenses	39	39
	39	39

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

Comparison total expenses with expenses mentioned in the prospectus

	Actual costs	Prospectus
Management fee	1,001	1,001
Performance fee	4,786	4,786
Depositary costs	15	-
Fund operational costs	254	354
Establishment expenses	39	39
	6,095	6,180

The expenses in the Prospectus are based on an average Fund size of Euro 50 million and have been adjusted proportionally to the actual average Fund size in this comparison. In the Prospectus the depositary costs are not mentioned separately but are included in the Fund operational costs.

Portfolio Turnover Ratio

The portfolio turnover ratio refers to the measure of trading activity in the Fund's portfolio. The portfolio turnover rate is a percentage of the portfolio that is bought and sold in exchange for other stocks. The portfolio turnover ratio is calculated by taking the amount of new securities purchased and the amount of securities sold minus the amount for redemption and issue of shares over the financial year. The result is expressed as a percentage of the average Net Asset Value (NAV). The average Net Asset Value is now calculated, in accordance with the generally accepted accounting principles in the Netherlands, as the average of all calculated and published NAV's during the year. Previously this average calculation was based on five measurement points during the year. The portfolio turnover ratio for 2014 amounts to 164% (2013: 154%). As the portfolio turnover measure includes both the purchases as well as the sales of securities, it effectively corresponds to an average holding period of about 1.2 years, consistent with the Fund's investment strategy.

Ongoing Charges Figure

According to the generally accepted accounting principles in the Netherlands the total expense ratio (TER) has been replaced by the ongoing charges figure (OCF). Like the TER, the ongoing charges figure is the total amount of costs the Fund incurred in a year, expressed as a percentage of the Fund's average Net Asset Value (NAV) for the period concerned. The changes consist of a change in calculation method and a change in the cost components that should be included in the calculation. The average Net Asset Value is now calculated as the average of all calculated and published NAV's during the year, whereas for the TER this average calculation was based on five measurement points during the year. The performance related fees are excluded from the ongoing charges figure and are expressed separately as a percentage of the Fund's average Net Asset Value (NAV) for the period concerned. The resulting OCF for 2014 is 2.03% (2013: 2.07%). The resulting percentage of the performance fee for 2014 is 7.43% (2013: 2.46%).

Remuneration of the Supervisory Board

The total of remuneration for the members of the Supervisory Board for the period amounts to Euro 43 thousand (2013: 42 thousand).

Supervisory Board member	Remuneration
Pauline Bieringa	18
Tom van Wijngaarden (January – May 2014)	6
Hanso Hanso Schotanus à Steringa Idzerda (May-December 2014)	6
Onno Paymans	12

Personnel

The Fund did not employ any personnel.

Remuneration Fund Manager's staff

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

Risk factors and risk management

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

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

The Fund Manager applies a comprehensive process based on qualitative and quantitative risk measures to assess the risks of the Fund entailing a standard monitoring process which consists of pre-defined monitoring items and cycles. The overall exposure of the Fund is calculated by means of the Value-at-Risk (VaR) methodology. The Value-at-Risk methodology provides a measure of the potential loss that could arise over a given time interval under normal market conditions, and at a given confidence level. During the year 2014 no risk limits of the Fund have been exceeded nor were they likely to be exceeded.

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

Market Risk

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

(i) Price volatility

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

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

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

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

(ii) Concentration risk

The Fund endeavours to create a concentrated portfolio of life sciences investments that are diversified by sub-sector (indication area or technology), geographic location, type of investment (IPOs, rights offerings, follow-on offerings, PIPEs, direct equity offerings, open market transactions, etc.), business model, area of focus, stage of development, etc. in order to achieve a high level of risk diversification. However, subject to the investment restrictions, investments may be weighted to certain indication and/or technologies and in certain geographic markets within Europe. Events that impact a specific investment, a specific sub-sector or a region may have an impact on the Fund's performance. The investment restrictions put an upper limit to the maximum allocation to a single portfolio company. Furthermore the Fund Manager monitors the concentration levels on a daily basis and will rebalance the portfolio if so required. As at 31 December 2014 the 5 single largest holdings account for 38% of the Net Asset Value of the Fund (year-end 2013: 48%).

(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 31 December 2014		at 31 December 2013	
	in Local Currency	in Euro	in Local Currency	in Euro
Swiss Franc	-	-	36	29
British Pound	75	97	107	129
United States Dollar	1,104	912	2,195	1,593

(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 23,911 thousand as at 31 December 2014 (year-end 2013: 4,684 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 1,001 thousand (2013: 789 thousand) and for the reporting period a performance fee of Euro 4,786 thousand is payable for the Fund Manager (2013: 1,280). 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 2014 (2013: none).

Interests of the Supervisory Board and Management

The members of the Supervisory Board and Management had no interests in securities held by the Fund's portfolio as at 31 December 2014 (year-end 2013: no interests).

One member of the Supervisory Board holds a total of 100 shares in the Fund as at 31 December 2014 (year-end 2013: 100 shares).

Employees of the Fund Manager, LSP or its affiliates participate in the Fund against a market price. These persons own in aggregate 13,005 (year-end 2013:14,495) shares in the Fund. The lock-up period as described in the prospectus of the Fund has expired.

Amsterdam, 2 April 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.

INDEPENDENT AUDITOR'S REPORT

To: The general meeting of shareholders of LSP Life Sciences Fund N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of LSP Life Sciences Fund N.V., based in Amsterdam.

In our opinion the financial statements give a true and fair view of the financial position of LSP Life Sciences Fund N.V. as at 31 December 2014 and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Financial Supervision Act (Wet op het financieel toezicht).

The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for 2014; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Materiality

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

Based on our professional judgement we determined the materiality for the financial statements as a whole at Euro 702,000. The materiality is determined with reference to total shareholders' equity (1%) as per 31 December 2014. The participants consider the development in equity as the most relevant benchmark for the performance of an investment fund. Due to the value changes of investments the result is volatile. Therefore we did not base the materiality on profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We communicated to the Supervisory Board that misstatements in excess of Euro 35,000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

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

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

Valuation of investments

A significant amount of the Fund's assets (68%) consists of investments. Therefore we identify the correct valuation of investments as a key audit matter. The equity investments are valued by the client at fair value. For investments which are frequently traded the fair value of the investments is determined based on the latest observable trade price in the corresponding exchanges during 2014. For investments which are less frequently traded, the directors estimate the fair value of the investments. As the Fund's policy is to invest in publicly listed life sciences companies we expect that the fair value is based on trade prices which are observed close to year end 2014.

We audited the fair value investments by verification with the latest observable trade prices in 2014 on the corresponding exchanges which are derived from an independent information source (Bloomberg). Furthermore we determined the liquidity of the investment based on this information source. Our independent valuation specialist performed these procedures.

We observed that the client valuation of the investments resulted in an acceptable valuation of the investment in the financial statements. The fair value of all investments has been based on the latest observable trade prices in 2014. The trade frequency of all investments has been sufficient in order to base the fair value on the latest observable trade price in 2014.

Use of external service providers (outsourcing)

The Fund does not employ any personnel. The Fund is managed by LSP Advisory B.V. as sole managing director of the Fund. The Fund Manager has engaged KAS Trust & Depositary Services B.V. for depository and custody services and engaged KAS BANK N.V. for its financial and investment administration and fund agent services. As the Fund is dependent on third parties for the preparation of financial information and the financial statements we consider this as a key audit matter.

As part of our audit procedures we formulated control objectives and determined the minimum expected controls which are needed to achieve these objectives. In relation to the services performed by KAS BANK N.V. and KAS Trust & Depositary Services B.V. we made use of the KAS BANK N.V. ISAE 3402 type II report and an update letter from the KAS BANK N.V. external auditor. We evaluated the work performed by the external auditor, findings and conclusion as described in their report. In this respect we reconciled our expected internal control procedures with the actual controls as described in the report as well as the expected work performed by the external auditor to verify that our control objectives have been achieved. We also evaluated whether Board of Directors and the Supervisory Board adequately monitor the outsourced activities by inquiry and inspection of minutes of meetings.

Our evaluation is that the control objectives, which are relevant for our audit of the financial statements, are achieved. We did not identify any deficiencies with regard to the effectiveness of relevant internal controls at KAS BANK N.V. and KAS Trust & Depositary Services B.V.

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

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

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

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the director's report and the other information

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

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

Engagement

We were appointed by the general meeting of shareholders as auditor of LSP Life Sciences Fund N.V. as of the audit for year 2011 and have operated as statutory auditor ever since that date. On 27 May 2014, we have been reappointed by the general meeting of shareholders to audit the financial statements 2014.

Utrecht, 2 April 2015

KPMG Accountants N.V.

W.L.L. Paulissen RA

STATEMENT OF THE DEPOSITARY

Considering that

- KAS Trust & Depositary Services B.V. (“the depositary”) is appointed to act as depositary of **LSP Life Sciences Fund N.V.** (“the fund”) in accordance with section 21(1) of the Alternative Investment Fund Managers Directive (2011/61/EU) (the “AIFM Directive”);
- Such appointment and the mutual rights and obligations of the fund manager and the depositary of the fund have been agreed upon in the depositary agreement dated 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 22 July up to and including 31 December 2014, (“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, 20 March 2015