



LSP Life Sciences Fund N.V.

Report on the first half of 2011

LSP
Life Sciences Partners

LSP LIFE SCIENCES FUND N.V.

(no audit is performed)

Report on the first half of 2011
for the period 18 April – 30 June 2011

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DIRECTORS' REPORT

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 consists 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 significant value increases that usually accompany the announcement of such milestones, partnerships or M&A transactions.

Since its launch in April 2011, the Fund has built a portfolio consisting of more than ten life sciences companies. The Fund now holds positions in six European countries and in the United States. Given the short period since inception, still a significant component of the Fund assets is held in cash but a number of investment opportunities are currently being analyzed and will lead to additional investments in the near future. The Fund also participated in a number of primary transactions, more of which are anticipated in the remainder of the year and these may be of interest to the Fund to participate in.

The Fund recorded a loss for the period of Euro 315 thousand. The Net Asset Value per share moved from its issue price of Euro 100.00 to Euro 99.17 as of 30 June 2011.

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 2011 have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code as well as the Guidelines for Annual Reporting issued by the Dutch Accounting Standards Board 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 2011 and of its result for the half year then ended.
- the report includes a fair review of the key developments of the Fund during the period and the effects thereof on the half year report, together with the principal risks and uncertainties of upcoming six months.
- the report provides accurate disclosure of the principal transactions with related parties.

The director

LSP Advisory B.V.

BALANCE SHEET (on 30 June 2011)(in thousands of Euro's, except per share data)
(unaudited)

	Note	30 June 2011
Assets		
Investments		
Investments in securities	1	17,804
Receivables		
Amounts receivable	2	11
Other assets		
Intangible assets	3	287
Cash and cash deposits		20,930
		21,217
Total Assets		39,032
Liabilities and shareholder's equity		
Shareholder's equity		
Issued share capital	4	386
Share premium		38,195
Legal and statutory reserve		287
Other reserves		-287
Net result for the period		-315
		38,266
Current liabilities		
Creditors and accrued expenses	5	766
Total Liabilities and shareholder's equity		39,032
Net Asset Value per share		99.17

PROFIT AND LOSS ACCOUNT (for the period 18 April – 30 June 2011)

(in thousands of Euro's)
(unaudited)

	Note	30 June 2011
Unrealized movements in investments and other assets		
Equity		-234
Currency results		<u>72</u>
		-162
Expenses		
Administration expenses	6	164
Other operating expenses	7	10
Interest income on cash deposits		<u>-21</u>
		153
Result for the period		<u><u>-315</u></u>

CASH FLOW STATEMENT (for the period 18 April - 30 June 2011)

(in thousands of Euro's)
(unaudited)

	30 June 2011
Cash flows from investment activities	
Interest income	13
Purchases of securities	-17,719
Administration expenses	-14
Total cash flows from investment activities	-17,720
Cash flows from financial activities	
Issue of shares	38,649
Redemption of shares	-71
Total cash flows from financial activities	38,578
Currency results on cash	72
Net increase for the period	20,930
Opening balance	-
Closing balance	20,930
	20,930

STATEMENT OF SHAREHOLDERS EQUITY (on 30 June 2011)

(in thousands of Euro's)
(unaudited)

	30 June 2011
Balance at 18 April 2011	-
From investment activities	
Movements on investments	-162
Expenses	-153
	<u>-315</u>
From issued capital	
Issue of shares	38,652
Redemption of shares	-71
	<u>38,581</u>
Balance at 30 June 2011	<u>38,266</u>

SELECTED NOTES TO THE REPORT ON THE FIRST HALF 2011

General

LSP Life Sciences Fund N.V. (the Fund) is a public company with the status of an investment company with variable capital organized and established under the laws of the Netherlands on 18 April 2011. The Fund has its statutory seat in Amsterdam, the Netherlands. LSP is a listed, open ended investment fund.

The Fund is managed by LSP Advisory B.V. as sole managing director of the Fund.

The Fund Manager was granted a license pursuant to the Wet op het financieel toezicht by the Authority for Financial Markets, the supervisory body in the Netherlands, on 12 April 2011.

This report on the first half 2011 relate to the period 18 April - 30 June 2011. This report has been prepared in accordance with Dutch GAAP.

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.

The financial statements are presented in thousands of Euro's unless stated otherwise. The financial statements for the period ended 30 June 2011 have not been audited.

Accounting principles

General

The financial statements have been prepared at their nominal value except for the following:

- Investments

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 2011, the equivalent of 1 Euro.	
Danish crown	7.458
British pound	0.903
Swedish krona	9.148
United States dollar	1.449

Investments

Listed investments are valued 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.

Intangible assets

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

Other assets and liabilities

Other assets and liabilities are shown at face value. Where deemed necessary, value adjustments have been deducted from outstanding receivables.

Profit and Loss account

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

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 direct method.

Notes to balance sheet**30 June 2011****1. Investments**

The changes in securities are shown below:

Equity

Market value at 18 April 2011	-
Purchases	18,038
Sales	-
Changes in value	-234
Market value at 30 June 2011	17,804

All the securities are listed.

The statement of investments is included on page 14.

2. Receivables

Interest	8
Receivable from shareholders	3
	11

The above mentioned receivables will be received within one year.

3. Other assetsIntangible assets

Establishment expenses	297
Depreciation	-10
Value at 30 June 2011	287

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 and cash deposits

The cash at banks are held with KAS BANK N.V. and are available on demand.

4. Shareholders equity

The authorized share capital of the Fund is Euro 1,000,000 and is divided in 1,000,000 shares with a par value of Euro 1.00 each. The number of issued shares at 30 June 2011 amounts to 385,823.

	30 June 2011
Issued share capital	
Balance at 18 April 2011	-
Issue of shares	387
Redemption of shares	-1
Balance at 30 June 2011	<u>386</u>
Share premium	
Balance at 18 April 2011	-
Issue of shares	38,265
Redemption of shares	-70
Balance at 30 June 2011	<u>38,195</u>
Number of issued shares	
Balance at 18 April 2011	-
Issue of shares	386,533
Redemption of shares	-710
Balance at 30 June 2011	<u>385,823</u>
Net Asset Value	38,266
Number of shares	<u>385,823</u>
Net Asset Value per share	99.17

5. Creditors and accrued expenses

Creditors	319
Fund operational costs	49
Establishment expenses	297
Management fee	<u>101</u>
	766

The creditors and accrued expenses are payable within one year.

Notes to the Profit and Loss account**30 June 2011****6. Administrative expenses**

Transaction costs	2
Fund operational costs	61
Management fee	101
	164

Fund operational costs include all costs of legal, tax, regulatory, administrative, custody, auditing, reporting and similar services and advices provided to the Fund, the costs of the Euronext securities listing, 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 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 Fund Manager is entitled to receive a performance fee of twenty per cent (20%) of the increase (if any) in the Net Asset Value accrued during each year, adjusted for the direct effect on the Net Asset Value of subscriptions and redemptions of shares and distributions effected during the year concerned, 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 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.

7. Other operating expenses

Amortisation of establishment costs	10
	10

The establishment expenses are capitalized at the level of the Fund and are amortized over a period of 5 years in accordance with the applicable provisions of Dutch GAAP.

Remuneration of the Supervisory Board

The total of remuneration for the members of the Supervisory Board for the period amounts to Euro 5 thousand.

Personnel

The Fund did not employ any personnel.

Financial instruments and risk management

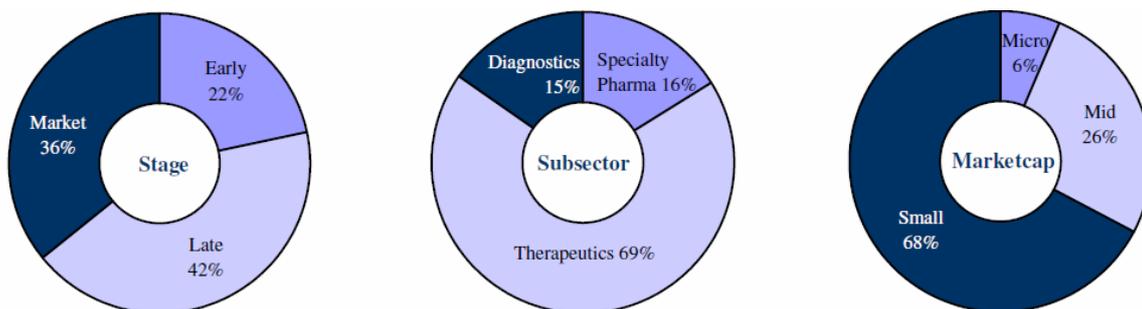
The Fund's primary investment objective is to achieve capital appreciation by investing in a diversified, yet concentrated portfolio of publicly listed life sciences companies (including biopharmaceutical-, specialist pharmaceutical-, medical device-, drug delivery-, vaccine- and diagnostic companies).

The investments of the Fund are subject to normal market volatility and risks inherent to investing in financial instruments. The value of 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.

Please refer to the prospectus for a more elaborate overview of the risks relating to an investment in the Fund.

Overview of investments

The Fund's investments are classified according to stage, subsector and market capitalization. The breakdown of the Fund's portfolio per 30 June 2011 is shown below.



Amsterdam, 30 August 2011

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 rest 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.

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 101 thousand. Employees of the Fund Manager, LSP or its affiliates participate in the Fund against a market price. These persons own 14,545 shares and are subject to a lock-up period as described in the prospectus of the Fund.

Soft dollar arrangements

The fund will not enter into arrangements 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. The Fund Manager does not incur any cash liability as consideration, so the value which these arrangements represent cannot be quantified.

Interests of the Supervisory Board

The members of the Supervisory Board had no interests in securities held by the Fund's portfolio as of 30 June 2011.

The members of the Supervisory Board did not hold any shares in the Fund as of 30 June 2011.