



# LSP Life Sciences Fund N.V.

Annual Report 2023



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**EQT**  
Life Sciences

# LSP LIFE SCIENCES FUND N.V.

Annual Report

2023



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**TABLE OF CONTENTS**

PROFILE.....	4
DIRECTOR'S REPORT .....	6
SUPERVISORY BOARD REPORT .....	12
KEY FIGURES .....	14
<b>FINANCIAL STATEMENTS</b>	
BALANCE SHEET as at 31 December 2023 .....	16
PROFIT AND LOSS ACCOUNT for the year ended 31 December 2023 .....	17
CASH FLOW STATEMENT for the year ended 31 December 2023 .....	18
SELECTED NOTES TO THE FINANCIAL STATEMENTS.....	19
<b>OTHER INFORMATION</b>	
PROFIT ALLOCATION AND DISTRIBUTION POLICY .....	38
INDEPENDENT AUDITOR'S REPORT .....	39
STATEMENT OF THE DEPOSITARY.....	52
RESPONSIBLE INVESTMENT REPORT.....	53

# 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 and its ISIN Code is NL0009756394. 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.

## Fund Governance

The Fund is managed by LSP Advisory B.V. as Alternative Investment Fund Manager (AIFM) and managing director of the Fund. Following the acquisition by EQT of LSP which was effectuated on 28 February 2022, LSP Advisory B.V. is now a wholly owned subsidiary of EQT Life Sciences Group B.V. which in turn has EQT AB, a Swedish public company with a listing on the Nasdaq Stockholm Stock Exchange, as its ultimate parent. In connection with the acquisition, LSP has been rebranded into EQT Life Sciences.

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 core investment team of the Fund Manager consists of two individuals - Mark Wegter 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 EQT Life Sciences (previously LSP) organization. The Fund Manager is further supported by EQT Life Sciences' 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 Netherlands Authority for the Financial Markets on 12 April 2011. With the Alternative Investment Fund Managers Directive (AIFMD) that came into force on 22 July 2014, this license has been converted into an AIFM license by legislative decree.

The Supervisory Board of the Fund comprises of Onno Paymans who has 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. The Supervisory Board also serves as the Audit Committee of the Fund.

# DIRECTOR'S REPORT

## Investment Performance

As per the end of December 2023, the Fund has been operational for over twelve and one-half years. As a result of the investment performance during the year, the Net Asset Value per share of the LSP Life Sciences Fund increased from Euro 202.26 as at 31 December 2022 to Euro 301.91 (plus 49.3%) as at 31 December 2023. The Fund recorded a profit for the period of Euro 13.8 million compared to a loss of Euro 3.4 million in the prior year. The since inception performance of the Fund as per the end of December 2023 is +201.9% (2022: +102.3%) which equates to an annual return of 9.1% (2022: 6.2%) over the life of the Fund.

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). As at 31 December 2023 the value of the portfolio amounted to Euro 32.1 million holding 18 names (2022: Euro 31.9 million and 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 lists 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 CACEIS Bank Netherlands Branch as Depositary for the Fund in accordance with the directive. The Depositary is responsible for the (i) the safekeeping of the Fund's assets, and (ii) the oversight and supervision of the Fund and the management of the Fund by the Fund Manager. The Depositary has delegated its day-to-day custody tasks to CACEIS Bank Netherlands Branch. The depositary remains liable towards the Fund for loss of assets of which the custody has been delegated to CACEIS Bank Netherlands Branch or another third party. The Depositary can only discharge itself from such liability if all the requirements of article 21(13) or 21(14) of the AIFMD are met.

## Fund's risk management

The Fund has exposure to market risks, liquidity risk, credit risk, counterparty risk and 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. Furthermore, the Fund Manager annually performs a Systemic Integrity Risk Analysis (SIRA) in which the risks are evaluated against the risk appetite as embodied in its Risk Appetite Statement (RAS). The overall risk appetite of the Fund Manager is classified as ‘Low’ to ‘Moderate’, with the individual levels of risk tolerance per category ranging from ‘Low’ (Reputation, Compliance & Integrity and Operational) to ‘Moderate’ (Strategic and Financial). A detailed description of the Fund’s risk management is provided on pages 30-34 of this report.

### **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 2023 the Fund Manager has not exercised its voting rights.

### **Code of Ethics**

EQT Life Sciences has a Code of Ethics which forms a basis of its Compliance Framework. This Code describes the behavioural standards EQT Life Sciences expects from its employees. All employees must sign the Code at onboarding; by signing the Code they commit to act in accordance with it. All employees reaffirm their adherence to the Code of Ethics on an annual basis. The Code can be referenced via <https://eqtgroup.com/eqt-policies-and-statements>.

### **Human resources**

The Fund does not employ any personnel. The management of the Fund is entrusted to the Fund Manager.

### **Remuneration policy**

The Fund itself has no employees. The management of the Fund is entrusted to the AIFM being LSP Advisory B.V., which in turn makes use of the staff of EQT Partners Netherlands B.V. as operating entity within the EQT Life Sciences group. The remuneration policy is determined at the level of the AIFM. It has implemented the AIFMD regulations regarding remuneration and has adopted a compliant remuneration policy. The objective of this remuneration policy is to motivate and retain the investment managers and other employees. The remuneration policy of the AIFM is designed such that it is consistent with and promotes sound and effective risk management and does not encourage risk-taking in a manner inconsistent with the risk policy of the Fund. The remuneration policy is reviewed (at least) on annual basis and will be amended from time to time to remain compliant with applicable regulations and to abide by social norms. The remuneration of the employees consists of a fixed and a variable component. The variable remuneration is linked to the individual performance of the respective staff member as well as the performance of the funds under management, either in the form of carried interest or performance fees.

### **Remuneration of the AIFM’s staff**

During the year 2023 the AIFM paid Euro 11.5 million to its staff members. Of this amount Euro 10.7 million was fixed remuneration and Euro 0.8 million was variable.



Of the total remuneration referenced above, an amount of Euro 2.7 million (2022: Euro 4.7 million) related to the directors of the AIFM. This consists of a fixed remuneration of Euro 2.6 million (2022: Euro 2.5 million) and a variable remuneration of Euro 0.1 million (2022: Euro 2.3 million). One employee was paid in excess of Euro 1.0 million.

In total 36 staff members worked in part or fully for the AIFM. The total remuneration of these staff members that is attributed to managing the Fund for the period amounts to Euro 0.4 million (2022: Euro 1.2 million), whereby the fixed and variable remuneration is allocated on the basis of the average Net Asset Value of the various investment products managed by LSP Advisory B.V. For the year 2023 the allocation to the Fund amounts to 3.1% (2022: 3.2%) of total remuneration. The following table shows the breakdown of the remuneration of the staff members attributed to the management of the Fund for the current period.

2023	in Euro	Beneficiaries	Fixed Remuneration	Variable remuneration	Total remuneration
Directors		5	79,894	2,190	82,084
Identified staff		13	208,430	17,722	226,152
Other employees		18	45,741	4,867	50,608
<b>Total</b>		<b>36</b>	<b>334,065</b>	<b>24,779</b>	<b>358,844</b>

2022	in Euro	Beneficiaries	Fixed remuneration	Variable remuneration	Total remuneration
Directors		5	79,197	72,574	151,771
Identified staff		14	186,797	773,772	960,569
Other employees		19	40,703	18,076	58,779
<b>Total</b>		<b>38</b>	<b>306,697</b>	<b>864,422</b>	<b>1,171,119</b>

### Sustainable Finance Disclosure Regulation

As of 10 March 2021, the new Sustainable Finance Disclosure Regulation (SFDR) is in effect. The SFDR stems from the European Commission's initiative to promote sustainable investment across the European Union and is part of the EU's 2018 Action Plan on Sustainable Finance. In order to comply with the SFDR, the AIFM has assessed the environmental, social and governance (ESG) related characteristics of the Fund and makes the following disclosures in order to comply with the SFDR:

#### *Integration of sustainability risks (article 6(1) (a) SFDR)*

A sustainability risk means "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment". Before an investment decision is made on behalf of a Fund, the AIFM follows a structured investment decision process as detailed in the Administrative Organization and Internal Control guide of the AIFM. Part of the investment decisions process is that the risk management function of EQT Life Sciences assesses the risks attached to a potential investment opportunity, which includes sustainability risks. Identified sustainability risks are taken into account by the investment team of the Fund when making investment decisions.

#### *Likely impact of sustainability risks on return (article 6(1) (b) SFDR)*

The AIFM has analysed the sustainability risks - including extreme weather events, natural disasters, water crises, spread of infectious diseases and resource scarcity – of the portfolio companies. Mainly based on the geographical location of the portfolio companies and the nature of their development and production processes, the AIFM deems the likely impact of sustainability risk on the return of the Fund to be low.

#### *Fund level disclosures (article 11 SFDR)*

For the purposes of article 11 of the SFDR, the AIFM considers that the Fund is a financial product which promotes, among other characteristics, environmental and social characteristics as referred to in article 8 SFDR, and in this respect makes the following disclosures:

#### *Environmental and social characteristics*

The Fund promotes reducing society's unmet medical need by investing predominantly in companies that are developing treatments for life threatening diseases or serious debilitating conditions.

#### *Good governance*

In the fundamental due diligence process of the Fund the prospective portfolio company is assessed on its practices with respect to good governance. Such good governance practices include (i) a sound management structure with a (supervisory) board that monitors the company's executive management, (ii) an appropriate level of employee ownership and (iii) compliance with national and international tax compliance standards.

#### *How the environmental and social characteristics are met*

To determine to what extent this societal characteristic is attained, the Fund aggregates the total number of products that address these unmet medical needs across all its portfolio companies. Kindly refer to the Responsible Investment Report as included in the back of the annual report.

### **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, including the internal and external provision of (financial) information. 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 AIFM 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 2023 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, financial position and profit or loss of LSP Life Sciences Fund N.V. as at 31 December 2023 and of its result for the period then ended;
- the annual directors' report gives a true and fair review of the situation on the balance sheet date, the developments during the financial year at the LSP Life Sciences Fund N.V. and that the annual report describes the principal risks which the Fund faces;
- the report provides adequate disclosure of the principal transactions with related parties.

### **Recent developments**

In November 2021, LSP and EQT, a leading global investment firm, announced an agreement to acquire LSP in order to strengthen EQT's position as one of the leading and most active investors in the healthcare sector. The transaction was subject to customary closing conditions, including antitrust, regulatory and certain fund investor clearances. The transaction has closed at the end of February 2022. The team, investment process and decision making will not be impacted by the transaction and hence no adverse impact for the Fund and its investors is anticipated. Following the acquisition, LSP has been rebranded to EQT Life Sciences.

The Fund Manager has the intention to put the decision for formal liquidation of the Fund on the agenda of the Annual General Meeting in May 2024. If the decision to liquidate the Fund is approved by the Annual General Meeting in May 2024, the liquidation is expected to become final in September 2024 or earlier. This indicates the existence of a material uncertainty that may cast significant doubt upon the Fund's ability to continue as a going concern. However, as of the preparation date of these financial statements, no irrevocable decision has been made to formally terminate the Fund. Upon liquidation the Fund Manager expects that the Fund will be able to fulfil its obligations. As a result, it is therefore uncertain whether a wind down of the Fund will be effectuated within the next 12 months after the approval of financial statements, which would justify the financial statements being prepared on a going concern basis. Therefore, the financial statements have been prepared on the assumption that the Fund is a going concern. The current accounting policies are based on the existing accounting policies as applied in prior years.

## Outlook

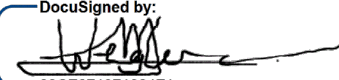
The Fund ended 2023 with a positive performance of almost 50% making it one of the best years ever for the fund. We are particularly gratified that this performance was against a weak, volatile healthcare sector performance. The Nasdaq Biotech Index (NBI) ended the year more or less flat and the biotech dominated XBI at +2% having been negative for most of the year. After a rather dismal year, the sector enjoyed a strong rally through November and December to finish with a positive return and positive sentiment going into 2024. The December winners in the LSP Life Sciences Fund included Pharvaris, which announced Phase 2 data from its prophylaxis study in HAE patients with data in the 'best possible scenario' category, demonstrating a reduction in mean monthly attacks of 84.5% compared to placebo. Phase 3 studies are expected to commence in 2024, a further important catalyst for the company. Other positive developments included Sequana Medical that had several positive announcements, including a positive update for its DSR therapy for heart failure and filing of a PMA application to FDA for the alphapump for treatment of refractory ascites. This puts the company on track for a potential approval in 2024. The year end sector rally was (as is often the case) positively affected by positive newsflow from several medical and scientific conferences. Both Autolus and Adaptimmune had significant share price movements in December driven by clinical data presented at ASH. Autolus also announced that it has submitted a BLA to FDA for its lead cell therapy Obe-cel. We are optimistic that it will receive approval during 2024 and the company is well positioned to deliver on manufacturing.

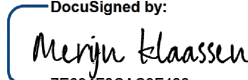
2023 proved to be a difficult year for the markets and the healthcare sector in particular. While there does appear to be more optimism as we move into 2024 - it remains cautious with many using the phrase "survive to '25". There is however a sense that the market has bottomed out and Pharma still needs to add products to their pipeline in order to counteract the looming revenue gaps from patent expirations. We remain focused on creating value through investing in quality companies developing products with the potential to deliver significant benefits for patients - these are the companies which will not only survive but are likely to thrive in 2024 and beyond.

Amsterdam, 18 April 2024

The director

LSP Advisory B.V.

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Mark Wegter

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Merijn Klaassen

## 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 2023, the Supervisory Board held 3 regular meetings together with the directors of the Fund Manager, in addition to a number of informal meetings between the Fund Manager and the Board.

During these meetings the Supervisory Board has discussed a wide range of subjects including the investment strategy and investment performance, the Fund's operations, human resources and the interaction with third party service providers (e.g. depositary, custodian, fund agent, fund administrator and brokers), the principles of fund governance, compliance and regulatory related matters as well as the monitoring and adherence to the investment restrictions and the Socially Responsible Investment practices and procedures of the Fund.

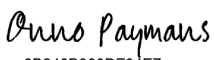
Furthermore, the Supervisory Board has overseen the financial reporting process, including the preparation of the annual account and the corresponding independent auditor communication. It also monitored the effectiveness of the internal controls and the risk management of the Fund.

The Supervisory Board has taken note of the Fund Manager's intention to put the decision for formal liquidation of the Fund on the agenda of the Annual General Meeting in May 2024. It has discussed such intention with the Fund Manager at the December meeting and concurs with the plan and steps taken in that respect.

The 2-year term of Maarten Scholten as Supervisory Board member has ended on 21 December 2023. We sincerely thank Mr. Scholten for his valuable contribution to the Supervisory Board during his tenure. The Supervisory Board currently has a vacancy, which will be addressed at the upcoming Annual General Meeting of shareholders in May 2024 taking into account the gender balance requirements as described in the Book 2, article 142b of the Netherlands Civil Code.

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.

Amsterdam, 18 April 2024

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Onno Paymans (chair)



## KEY FIGURES

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

	2023	2022	2021	2020	2019
Net Asset Value	38,142	33,368	37,852	58,254	58,502
Number of shares outstanding	126,336	164,974	170,626	201,517	252,924
Net Asset Value per share	301.91	202.26	221.84	289.07	231.30
Share price performance <sup>1</sup>	49.3%	-8.8%	-23.3%	25.0%	7.8%
Net Result	13,789	-3,445	-13,295	10,389	6,626
Ongoing charges figure (OCF)	2.32%	2.23%	2.04%	2.22%	1.97%
Performance fee figure <sup>2</sup>	1.21%	0.00%	0.00%	5.71%	0.00%
Turnover Ratio	132%	108%	331%	239%	145%

- 1) Calculated by dividing the Net Asset Value per share at the current year end by Net Asset Value per share at the prior year end minus 100%.
- 2) The performance related fees expressed as a percentage of the Fund's average Net Asset Value (NAV) of the period.

**FINANCIAL STATEMENTS**



## BALANCE SHEET as at 31 December 2023

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

	Note	31 December 2023	31 December 2022
<b>Assets</b>			
<b>Investments</b>			
	<b>1</b>		
Investments in securities		32,069	31,923
Investments in derivatives		78	-
		<u>32,147</u>	<u>31,923</u>
<b>Current assets</b>			
Receivables	<b>2</b>	26	1
Cash and cash equivalents	<b>3</b>	6,688	1,608
		<u>6,714</u>	<u>1,609</u>
<b>Total assets</b>		<u>38,861</u>	<u>33,532</u>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>			
	<b>4</b>		
Issued share capital		126	165
Other reserves		24,227	36,648
Unappropriated result		13,789	-3,445
		<u>38,142</u>	<u>33,368</u>
<b>Current liabilities</b>			
	<b>5</b>		
Creditors and accrued expenses		719	164
<b>Total liabilities and shareholders' equity</b>		<u>38,861</u>	<u>33,532</u>
Net Asset Value per share (in Euro's)		301.91	202.26

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2023

(in thousands of Euro's)

	Note	2023	2022
<b>Income from investments</b>			
Income from lending		109	42
Interest income on cash accounts		574	50
		683	92
<b>Realized movements in investments and current assets 6</b>			
Realized movements on securities		11,635	2,322
Currency results on cash accounts		342	-1,338
		11,977	984
<b>Unrealized movements in investments and current assets 6</b>			
Unrealized movements on securities		3,569	-3,304
Unrealized movements on derivatives		78	-
		3,647	-3,304
<b>Expenses</b>			
Management costs	7	908	448
Depositary costs	8	45	35
Fund operational costs	9	229	184
Interest expenses on cash accounts		1,336	550
		2,518	1,217
<b>Taxes</b>	<b>10</b>	-	-
<b>Result for the year</b>		13,789	-3,445

## CASH FLOW STATEMENT for the year ended 31 December 2023

(in thousands of Euro's)

	Note	2023	2022
<b>Cash flows from investment activities</b>			
Net result		13,789	-3,445
Realized movements in investments	6	-11,635	-2,322
Unrealized movements in investments	7	-3,989	4,642
Purchase of investments	1	-19,259	-15,496
Sale of investments	1	34,317	18,992
Change in amounts receivable	2	-25	9
Change in current liabilities	5	555	-60
<b>Total cash flows generated from investment activities</b>		<b>13,753</b>	<b>2,320</b>
<b>Cash flows from financial activities</b>			
Issue of shares	4	134	538
Redemption of shares	4	-9,149	-1,577
<b>Total cash flows used in financial activities</b>		<b>-9,015</b>	<b>-1,039</b>
Currency results on cash accounts	6	342	-1,338
<b>Net cash flow for the year</b>		<b>5,080</b>	<b>-57</b>
<b>Movement in cash and cash equivalents</b>			
Opening balance	3	1,608	1,665
Closing balance	3	6,688	1,608
		<b>5,080</b>	<b>-57</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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 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 and its ISIN Code is NL0009756394. 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 and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving') 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.

### Going concern

The Fund is subject to normal market fluctuations and risks inherent in the investment strategy. The Fund Manager monitors the share issuance and redemption, as well as the liquidity of the investments. The liquidity of the investments is monitored. In the event of a large outflow, the Fund Manager has the power to (temporarily) suspend redemptions as described in the prospectus. As such, there is no reason to assume that there will be redemptions that affect continuity of the Fund.

The Fund Manager has the intention to put the decision for formal liquidation of the Fund on the agenda of the Annual General Meeting in May 2024. If the decision to liquidate the Fund is approved by the Annual General Meeting in May 2024, the liquidation is expected to become final in September 2024 or earlier. This indicates the existence of a material uncertainty that may cast significant doubt upon the Fund's ability to continue as a going concern. However, as of the preparation date of these financial statements, no irrevocable decision has been made to formally terminate the Fund. Upon liquidation the Fund Manager expects that the Fund will be able to fulfil its obligations. As a result, it is therefore uncertain whether a wind down of the Fund will be effectuated within the next 12 months after the approval of financial statements, which would justify the financial statements being prepared on a going concern basis. Therefore, the financial statements have been prepared on the assumption that the Fund is a going concern. The current accounting policies are based on the existing accounting policies as applied in prior years.

Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

Disclosure of estimates

In applying the principles and policies for preparing the financial statements, the directors of the Fund make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1 of the Netherlands Civil Code, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

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 Euros 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 2023, in Euro	
United States Dollar	0.905264
Swedish Crown	0.089827

Asset and Liabilities

Assets and liabilities are generally measured at historical cost, unless otherwise measured in the further principles. An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Fund and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets. A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be

measured reliably. Provisions are included in the liabilities of the Fund. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

### Investments

#### *Securities*

Investments are initially and subsequently measured at 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. Any realized and unrealized change in value is taken into the Profit and Loss account in the respective reporting period.

#### Securities lending

Securities of which the legal ownership is transferred for a specific period under a securities lending transaction, continue to be recognized in the Fund's balance sheet during this period, because the economic benefits and costs - in the form of investment income and changes in value - are for the account and risk of the Fund.

The method of accounting of collateral received in connection with securities lending depends on its nature. If collateral is received in the form of securities, this is not recognized in the balance sheet of the Fund, since the economic benefits and disadvantages associated with the collateral are for the account and risk of the counterparty. When collateral is received in the form of cash, it is recognized in the balance sheet of the Fund, because in that case the economic benefits and costs are for the account and risk of the Fund.

#### Receivables and other assets

Other receivables are initially measured at the fair value of the consideration to be received. Receivables are subsequently measured at the amortised cost price on the basis of the effective interest method, less impairment losses.

#### Cash and cash equivalents

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 initially measured at the fair value of the consideration to be paid and are subsequently measured at the amortised cost price 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.

#### Accounting principles for determining the result.

The result is the difference between the realisable value of the assets and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

#### Financial income and expenses

Declared dividends from securities measured at historical cost are recognised as soon as the Fund has received the right to these. 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.

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

Exchange differences that arise from the settlement or translation of monetary items are recorded in the profit and loss account in the period in which they occur, unless hedge accounting is applied.

Changes in the value of financial instruments recognised at fair value are recorded in the profit and loss account.

#### 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.

#### 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 has been prepared using the indirect method. The cash items disclosed in the Cash Flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the Cash Flow statement. Interest paid and received, dividends received are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, are not recognised in the Cash Flow statement.

## Notes to balance sheet

### 1. Investments

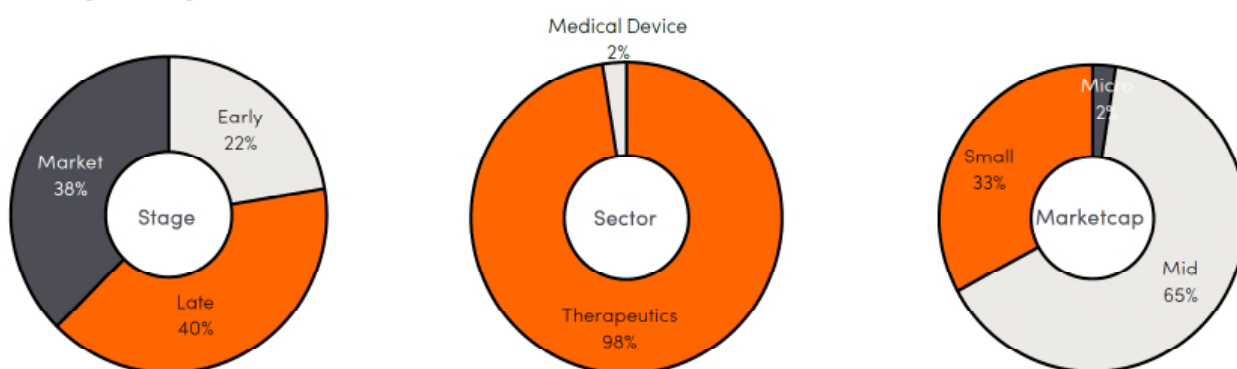
	31 December 2023	31 December 2022
<b>Securities</b>		
Market value beginning of period	31,923	36,401
Purchases	19,259	15,496
Sales	-34,317	-18,992
Unrealized price movements	3,985	-3,065
Unrealized currency movements	-416	-239
Realized price movements	12,036	-172
Realized currency movements	-401	2,494
Market value at end of period	32,069	31,923
<b>Derivatives</b>		
Market value beginning of period	-	-
Purchases	-	-
Sales	-	-
Unrealized price movements	78	-
Realized price movements	-	-
Market value at end of period	78	-

The derivatives position consists of 53,662 warrants on common shares of Sequana Medical N.V. that were acquired by the Fund in connection with its participation in the private placement of Sequana Medical in April 2023. The parameters used for the valuation of these non-listed warrants are:

Parameter	Warrant Sequana Medical
Expiration date	April-2028
Remaining life	4.33 years
Price of underlying share at value date	EUR 4.00
Exercise price	EUR 5.10
Vesting period	-
Expected volatility	66.33%
Rate of yield curve	3.60%



The Fund's investments are classified according to stage, subsector and market capitalization. The breakdown of the Fund's portfolio per 31 December 2023 is shown below.



Stage at year end	2023	2022
Early Stage	22%	24%
Late Stage	40%	49%
Market	38%	27%

Subsector at year end	2023	2022
Therapeutics	98%	97%
Medical Device	2%	3%
Specialty Pharma	-	-

Marketcap at year end	2023	2022
Microcap	2%	3%
Smallcap	33%	68%
Midcap	65%	29%

### Portfolio breakdown

The below table shows the portfolio breakdown of the Fund per 31 December 2023 grouped per company as a percentage of the total Fund's Net Asset Value.

Company	Stage	Subsector	Marketcap	%
Pharvaris	Late	Therapeutics	Mid	13.8%
Callidatas Therapeutics	Late	Therapeutics	Small	12.9%
Argenx	Market	Therapeutics	Mid	10.2%
Evotec	Market	Therapeutics	Mid	10.2%
Intra Cellular Therapies	Market	Therapeutics	Mid	6.2%
Merus	Early	Therapeutics	Mid	5.6%
Autolus Therapeutics	Early	Therapeutics	Mid	4.7%
Arrowhead Pharmaceuticals	Early	Therapeutics	Mid	3.9%
Pharming Group	Market	Therapeutics	Small	3.7%
Vivoryon Therapeutics	Late	Therapeutics	Small	2.9%
AC immune	Early	Therapeutics	Small	2.9%
Abivax	Late	Therapeutics	Small	2.5%
Sequana Medical	Market	Medical Device	Small	1.2%
Allogene Therapeutics	Early	Therapeutics	Small	1.2%
Onward Medical	Late	Medical Device	Micro	1.1%
Adaptimmune Therapeutics	Late	Therapeutics	Small	0.7%
Achilles Therapeutics	Early	Therapeutics	Micro	0.7%
Cara Therapeutics	Market	Therapeutics	Micro	0.3%
				84.3%

## Securities lending

The Fund may make use of securities lending transactions for the purposes of generating additional income. The Fund is permitted to lend securities up to a maximum of 100% of its total assets. Securities lending transactions will only be carried out with CACEIS Bank Netherlands Branch as counterparty which is a reputable financial institution. At year end, the Fund has lent out Euro 4,160 thousand of securities (2022: Euro 258 thousand) and received in return Euro 4,391 thousand of securities as collateral as per below breakdown (2022: Euro 263 thousand).

Security type	Issuer	Security	Market value
Bond	Canada	USC23264AV31 CDP FINL 4,25%23-250728	4,391

## 2. Receivables

All receivables fall due within one year.

## 3. Cash and cash equivalents

The cash at banks are held with CACEIS Bank, Netherlands Branch and are available on demand.

Cash account	at 31 December 2023		at 31 December 2022	
	in Local Currency	in Euro	in Local Currency	in Euro
Euro	6,688	6,688	1,608	1,608
<b>Total</b>		6,688		1,608

## 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 31 December 2023 amounts to 126,336.

	2023	2022
<b>Issued share capital</b>		
Balance at beginning of period	165	171
Issued	1	3
Redemption	-40	-9
Balance at end of the period	126	165
<b>Other reserves</b>		
Balance at beginning of period	36,648	50,976
Result appropriation for previous year	-3,445	-13,295
Issue of shares	133	535
Redemption of shares	-9,109	-1,568
Balance at end of the period	24,227	36,648

### Number of issued shares<sup>1</sup>

Balance at beginning of period	164,974	170,626
Issued	543	2,854
Redemption	-39,181	-8,506
Balance at end of the period	126,336	164,974

### Unappropriated result

Balance at beginning of period	-3,445	-13,295
Result previous year added to other reserves	3,445	13,295
Result for the period	13,789	-3,445
Balance at end of the period	13,789	-3,445

	2023	2022
Number of shares	126,336	164,974
Net Asset Value	38,142	33,368
Net Asset Value per share (in Euro's)	301.91	202.26

All issuances and redemptions are recorded on the trade date and not on the settlement date.

### Appropriation of result

The Fund Manager proposes to allocate the net result for the year ended 31 December 2023 to the other reserves. This proposal has not been included in the financial statements.

## 5. Current liabilities

	31 December 2023	31 December 2022
<b>Creditors and accrued expenses</b>		
Share redemptions payable to shareholders	15	41
Fund operational costs	131	48
Management fee	168	75
Performance fee	405	-
	719	164

The creditors and accrued expenses are payable within one year.

The breakdown of the fund operational costs payable in the amount of Euro 131 thousand is provided below.

Fund administration fee	21	-19
Independent auditor's remuneration	50	53
Advisory costs	16	8
Other Costs	44	6
	131	48

<sup>1</sup> All issued shares of the Fund have the same economic and voting rights; there are no shares without voting rights and no shares with no or limited economic rights.

## Notes to the Profit and Loss account

### 6. Realized and unrealized movements in investments

	2023	2022
<b>Realized movements on securities</b>		
Realized gains / losses on securities	12,036	-172
Currency results on securities	-401	2,494
	11,635	2,322
<b>Total realized movements</b>	11,635	2,322
<b>Unrealized movements on securities</b>		
Change in unrealized gains / losses on securities	3,985	-3,065
Currency results on securities	-416	-239
	3,569	-3,304
<b>Unrealized movements on derivatives</b>		
Change in unrealized gains / losses on derivatives	78	-
<b>Total unrealized movements</b>	3,647	-3,304

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

<b>Realized movements 2023</b>		<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	14,588	-2,953		11,635
<b>Unrealized movements 2023</b>		<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	9,573	-6,004		3,569
Derivatives	78	-		78
	9,651	-6,004		3,647
<b>Realized movements 2022</b>		<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	9,099	-6,777		2,322
<b>Unrealized movements 2022</b>		<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Securities	7,405	-10,709		-3,304

## 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 342 thousand (2022: loss Euro 1,338 thousand), whilst the realized and unrealized currency result of the investments amounted to a loss of Euro 817 thousand (2022: gain Euro 2,255 thousand). The net currency result of the Fund thus amounted to a loss of Euro 475 thousand (2022: gain Euro 917 thousand).

## 7. Management costs

### Management Fee

The Fund Manager is entitled to an annual management fee due by the Fund to the Fund Manager equal to 1.5% per annum of the Net Asset Value excluding (i.e. before deduction of) the accrued management fee and performance fee. The management fee accrues on a daily basis by reference to the latest Net Asset Value and is payable by the Fund in arrears as per the last business day of each month. The management fee for the year amounts to Euro 503 thousand (2022: Euro 448 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 265.56 at 31 December 2023. The high watermark is set to the Net Asset Value per share at the end of all preceding years, i.e. Euro 289.07. As the High Watermark exceeds the hurdle, the performance fee calculated with reference to this High Watermark. The Net Asset Value per share – before performance fee – as of period-end was Euro 305.12, and thus above the High Watermark. As such the performance fee for the period amounts to Euro 405 thousand (2022: nil).

(in Euro per share)	31 December 2023	31 December 2022
Net Asset Value (before performance fee)	305.12	202.26
Hurdle	265.56	245.89
High Watermark	289.07	289.07
Excess performance	16.05	-
Performance fee (20% of excess performance)	3.21	-
Number of shares outstanding	126,336	164,974

## 8. Depositary costs

In connection with the Alternative Investment Fund Manager Directive (AIFMD) that came in force on 22 July 2014, the Fund has appointed CACEIS Bank, Netherlands branch 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.

## 9. Fund operational costs

	2023	2022
Fund administration fee and bank fees	91	53
Remuneration of the Supervisory Board	35	35
Independent auditor's remuneration	45	61
Advisory costs	20	16
Other costs	38	19
	<hr/>	<hr/>
	229	184

Fund operational costs include all costs of legal, tax, regulatory, administrative, custody, auditing, reporting and similar services and advice 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.

### Independent auditor's remuneration

The fees listed below relate to the procedures applied to the Fund by accounting firms and independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties – Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2023 financial statements, regardless of whether the work was performed during the financial year.

	Pricewaterhouse Coopers Accountants N.V.		Other PwC network	2023 Total PwC
Audit of the financial statements	45	-	-	45
Other audit engagements	-	-	-	-
Tax-related advisory services	-	-	-	-
Other non-audit services	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	45	-	-	45

			<b>2022</b>
	Pricewaterhouse Coopers Accountants N.V.	Other PwC network	Total PwC
Audit of the financial statements	61	-	61
Other audit engagements	-	-	-
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	<hr/> 61	<hr/> -	<hr/> 61

The fees of PricewaterhouseCoopers Accountants N.V. as listed in the above tables are inclusive of Value Added Tax (VAT) as the fund – due to its fiscal status - cannot reclaim VAT.

### Comparison total expenses with expenses mentioned in the prospectus

	Actual costs	Prospectus
Management fee	503	503
Performance fee	405	405
Depository costs	45	}
Fund operational costs	229	151
	<hr/> 1,182	<hr/> 1,059

The expenses in the Prospectus are based on an average Fund size of Euro 75 million and have been adjusted proportionally to the actual average Fund size in this comparison. In the Prospectus the depository 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 value of new securities purchased and the value of securities sold minus the amount for redemption and issue of own shares of the Fund during the financial year. The result is expressed as a percentage of the average Net Asset Value (NAV). The average Net Asset Value is 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. The portfolio turnover ratio for 2023 amounts to 132% (2022: 108%). 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 1.5 years, consistent with the Fund's investment strategy.

### Ongoing Charges Figure

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 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 2023 is 2.32% (2022: 2.23%).

### **Performance Fee Figure**

The performance fee figure is performance fee of the Fund incurred in a year, expressed as a percentage of the Fund's average Net Asset Value (NAV) for the period concerned. The resulting performance fee figure for 2023 is 1.21% (2022: nil).

### **Employees**

The Fund has no employees (2022: nil). The management of the Fund is entrusted to the AIFM being LSP Advisory B.V.

### **Remuneration of the directors**

The directors did not receive any compensation from the Fund during the reporting period (2022: nil).

### **Remuneration of the Supervisory Board**

The total of remuneration for the members of the Supervisory Board for the period amounts to Euro 35 thousand (2022: Euro 35 thousand).

<b>Supervisory Board member</b>	<b>2023</b>	<b>2022</b>
Onno Paymans (chair)	20	20
Maarten Scholten	15	15
	<hr/>	<hr/>
	35	35

The term of Maarten Scholten as Supervisory Board member has ended on 21 December 2023, in effect 2 years after his appointment came into effect.

## **10. Taxes**

Given the Fund's status as an exempt investment entity ('Vrijgestelde BeleggingsInstelling' or 'VBI'), no taxes are due on the result.

### **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 risk
- Liquidity risk
- Counterparty risk, including settlement risk
- Operational risk, including fraud, preservation and legal and tax compliance risk

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 2023 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 2023 the 5 single largest holdings account for 53% of the Net Asset Value of the Fund (year-end 2022: 51%).

**(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 Swedish Crown and United States Dollar was largely hedged by contrary positions on the respective foreign currency cash accounts. Prior to year-end 2022, these offsetting positions were unwind. Early January 2023, the foreign currency hedge was re-established.

Net currency exposure	at 31 December 2023		at 31 December 2022	
	in Local Currency	in Euro	in Local Currency	in Euro
Swedish Crown	54,717	4,915	84,977	7,642
United States Dollar	16,823	15,229	21,852	20,475

**(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. Such corrective actions can, amongst others, consist of a rebalancing of the portfolio to more liquid investments, sell positions to increase liquidity and in extra-ordinary circumstances temporarily suspend the repurchase (redemptions) of shares of the Fund. With respect to the Fund's liquidity profile at year-end 2023, 68% of the portfolio value could be liquidated within 1 day under normal market conditions and 60% of the portfolio value could be liquidated within 1 day in case of stressed market conditions.

### ***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 a net Euro 6,688 thousand as at 31 December 2023 (2022: Euro 1,608 thousand), are held with the CACEIS Bank, Netherlands branch. The credit ratings of the CACEIS Bank, Netherlands branch is equalized with those of Credit Agricole, CACEIS' ultimate parent. Per 25 January 2024, FitchRatings issued Long- and Short-Term Issuer Default Ratings (IDRs) to 'A+' and 'F1', respectively for Credit Agricole.

In respect of securities lending transactions, the Fund runs the risk that CACEIS Bank, Netherlands branch as borrower of the securities cannot comply with its obligations to return the securities it borrowed from the Fund on the agreed date or furnish the requested collateral. Investors should take into account that: if CACEIS Bank, Netherlands branch fails to return the securities it borrowed from the Fund, there is a risk that the value of the collateral received may be less than the value of the securities lent to CACEIS Bank, Netherlands branch and delays in returning the securities borrowed from the Fund may have an adverse effect on the Fund's capacity to meet its own obligations in relation to any sales transactions of such securities. Generally, securities lending transactions are entered into to enhance the Fund's overall performance however, an event of failure or default by the borrower may adversely affect the Fund's performance.

### ***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, misstatements in financial reporting, 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.

### ***Fraud risk***

The inherent risk of fraud is rated high in our overall risk assessment (SIRA): internal fraud can cause significant financial and reputational damage. To reduce that risk of fraud however, various measures are taken, including important control measures. Some control measures against operational risk (the four-eye principle and access verification) also help to combat fraud. In addition, we use specific control measures to reduce the risk of fraud, such as authorization checks and automated segregation of duties in payment systems.

### ***Preservation risk***

To safeguard the assets of the Fund, the Fund uses an independent custodian, CACEIS Bank, Netherlands branch. 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**

LSP Advisory B.V., the directors and the members of the Supervisory Board qualify as a related party. In the reporting period the Fund Manager received a management fee of Euro 503 thousand (2022: Euro 448 thousand) and a performance fee of Euro 405 thousand in 2023 (2022: nil). The directors did not receive any compensation from the Fund during the reporting period. As disclosed in note 9, the members of Supervisory Board received an amount of Euro 35 thousand. Employees of the Fund Manager, EQT Life Sciences 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 2023 (2022: none).

### **Interests of Management and EQT Life Sciences**

The members of the Management and of the Supervisory Board had no interests in securities held by the Fund's portfolio as at 31 December 2023 (2022: no interests).

The members of the Management and of the Supervisory Board participate in the Fund against a market price. These persons own in aggregate 12,801 shares in the Fund (2022: 12,801 shares). The lock-up period as described in the prospectus of the Fund has expired.

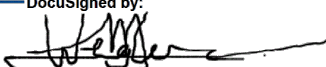
### Subsequent events

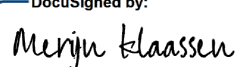
Management is not aware of any events that took place after balance sheet date that could have a material effect on the financial position of the Fund.

Amsterdam, 18 April 2024

The director

LSP Advisory B.V.

DocuSigned by:  
  
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Mark Wegter

DocuSigned by:  
  
7E694E8CAC9F433...  
Merijn Klaassen

The Supervisory Board

DocuSigned by:  
  
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Onno Paymans (chair)

**OTHER INFORMATION**

## **PROFIT ALLOCATION AND DISTRIBUTION POLICY**

### **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.

### **Distribution 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.

**INDEPENDENT AUDITOR’S REPORT**





## ***Independent auditor's report***

To: the general meeting of shareholders, the director and the supervisory board of LSP Life Sciences Fund N.V.

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### ***Report on the audit of the financial statements 2023***

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#### ***Our opinion***

In our opinion, the financial statements of LSP Life Sciences Fund N.V. ('the Fund') give a true and fair view of the financial position of the Fund as at 31 December 2023, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### ***What we have audited***

We have audited the accompanying financial statements 2023 of LSP Life Sciences Fund N.V., Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2023;
- the profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

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#### ***The basis for our opinion***

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

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

NLE00023780.1.1

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### *Independence*

We are independent of LSP Life Sciences Fund N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the ‘Wet toezicht accountantsorganisaties’ (Wta, Audit firms supervision act), the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

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### *Material uncertainty related to going concern*

We draw attention to paragraph ‘Going concern’ to the financial statements, which indicates that the Fund manager has the intention to put the decision for formal liquidation of the Fund on the agenda of the Annual General Meeting in May 2024. If the decision to liquidate the Fund is approved by the Annual General Meeting in May 2024, the liquidation is expected to become final in September 2024 or earlier. As stated in the paragraph going concern, these events and conditions indicate that a material uncertainty exists that may cast doubt on the Fund’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We refer to section ‘Audit approach going concern’ for further information on our audit procedures regarding the going-concern assumption.

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### *Our audit approach*

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide separate opinions or conclusions on these matters.

### *Overview and context*

LSP Life Sciences Fund N.V. is a public company with the status of an investment company with variable capital. 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 Fund is managed by LSP Advisory B.V. (‘the Fund manager’). The Fund manager is also the director of the Fund (‘the director’). The administrator of the Fund is CACEIS Bank, Netherlands Branch (‘the administrator’). The depositary of the Fund is CACEIS Bank, Netherlands Branch (‘the depositary’) and the custody bank of the Fund is CACEIS Bank, Netherlands Branch (‘the custody bank’). In the paragraph ‘The scope of our audit’, we have outlined the organisational design of the Fund with a separate manager and depositary and the consequences for our audit.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the director made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In these considerations, we paid attention to, among other things, the assumptions underlying the physical and transition risk related to climate change.

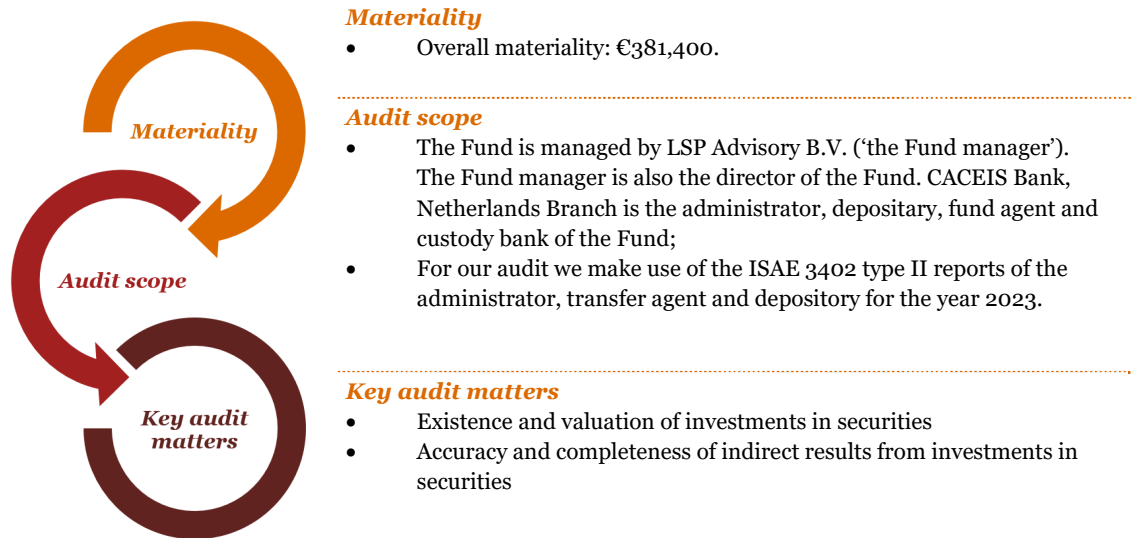
In the paragraph ‘Disclosure of estimates’ of the financial statements, the Fund manager describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given nature of the Fund and the significance of the investments in securities, our audit focused primarily on the existence and valuation of the investments in securities and the accuracy and completeness of the indirect results from these investments in securities. We considered these matters as key audit matters as set out in the section ‘Key audit matters’ of this report.

As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the director that may represent a risk of material misstatement due to fraud.

LSP Life Sciences Fund N.V. assessed the possible effects of climate change on its financial position. We discussed LSP Life Sciences Fund N.V.’s assessment and governance thereof with the director and evaluated the potential impact on the financial position including underlying assumptions and estimates. The expected effects of climate change are not considered a key audit matter.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of an investment fund.

The outline of our audit approach was as follows:



### **Materiality**

The scope of our audit was influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below.



These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

We determined materiality based on net assets of the Fund. We consider the net assets of the Fund as the most appropriate benchmark, since the net assets of the Fund represent the value an investor receives when selling his shares in the Fund. Indirect results from investments are an important part of the investment results and therefore the result of the Fund.

<b>Overall materiality</b>	€381,400 (2022: €333,000).
<b>Basis for determining materiality</b>	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 1% of net assets.
<b>Rationale for benchmark applied</b>	We used the Fund's net assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that the Fund's net assets are the most relevant metric for the financial performance of the Fund.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €19,000 (2022: €16,650) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *The scope of our audit*

Given our ultimate responsibility for the opinion, we are responsible for the direction, supervision and execution of the audit of the financial statements. In doing this, we take into account the involvement of the director, the administrator, the custody bank, fund agent and the depository. In this respect, we have determined the nature and scope of the procedures to be performed to ensure that we perform sufficient audit procedures to be able to give an opinion on the financial statements as a whole. We obtained an understanding of the control framework of the director, custody bank, depository, fund agent and the administrator. Based on this knowledge, we have identified internal control measures that are relevant to our audit of the financial statements. Subsequently, we received from the administrator, custody bank, fund agent and depository an ISAE 3402 type II report, certified by an independent auditor, on the design and operating effectiveness of the internal control measures at the administrator, the custody bank, fund agent and the depository for the period 1 October 2022 to 30 September 2023. In addition we received a bridge letter with a confirmation from management of the administrator, the custody bank, fund agent and the depository of no significant changes in the control environment of CACEIS or its subservice organisations for the period from 1 October 2023 to 31 December 2023.

Management of the Fund is carried out by the director, while the administration of the Fund is carried out by CACEIS. Based on the results of the ISAE 3402 type II report and bridge letter, we have established that there is sufficient segregation between the two functions. We evaluated the design effectiveness of internal controls at the director level. No significant findings were noted.



We have assessed the expertise and independence of the independent auditor of the service organisation CACEIS. In addition, we have read and analysed the ISAE 3402 type II report and bridge letter.

As part of this analysis, we have examined whether the internal control measures that are relevant for our audit of this Fund were included in the report. Subsequently, we checked, based on our professional judgement, whether the independent auditor performed adequate procedures to be able to obtain sufficient and appropriate audit evidence on the design, implementation and operating effectiveness of these internal control measures. Finally, we assessed the results and the reported exceptions and weighed them for the impact on our audit approach. The ISAE 3402 type II report for 2023 for the administrator, custody bank, fund agent and depository included an unqualified assurance report.

### *Audit approach fraud risks*

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of LSP Life Sciences Fund N.V. and its environment and the components of the internal control system. This included the director's risk assessment process, the director's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to section 'fraud risk' of the financial statements under the chapter 'Risk factors and risk management' for the director's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system documented in the AO/IC manual (administrative organisation and internal control manual) as well as the code of conduct, whistle-blower policy, risk management framework, incident handling, conflicts of interest policy, policy on private investment transactions and remuneration policy and the Systematic Integrity Risk Analysis (SIRA), which includes the fraud risk assessment performed by the director. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the management board and the supervisory board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

As described in the applicable auditing standards, the risk of management override of controls and fraud risk in revenue recognition are presumed risks. The director is in a unique position to perpetrate fraud because of the director's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We addressed this risk by evaluating whether there was evidence of management bias in estimates that may represent a risk of material misstatement due to fraud (for detailed procedures we refer to the key audit matters regarding the valuation of the investments). Our audit procedures include evaluating unexpected journal entry procedures supported by data analysis.



We inquired of the director whether transactions outside the normal course of business have occurred. No such transactions were applicable. With regard to the risk of fraud in revenue recognition, based on our risk analysis, we assessed that this risk is not significant and therefore rebutted, as we identified limited management pressure, incentive and opportunity from both internal and external factors. The revenue from direct results is immaterial and the revenue from indirect results contains limited judgement, is non-complex and systematic in nature.

We incorporated an element of unpredictability in our audit. We reviewed lawyer's letters and correspondence with regulators where applicable. During the audit, we remained alert to indications of fraud. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

### *Audit approach going concern*

In the going-concern paragraph in the notes to the financial statements, the director disclosed conditions that indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

As disclosed in section 'Going Concern' in the financial statements, the Fund is subject to normal market fluctuations and risks inherent in the investment strategy. The Fund manager monitors the share issuance and redemption, as well as the liquidity of the investments. The liquidity of the investments is monitored. In the event of a large outflow, the Fund manager has the power to (temporarily) suspend redemptions as described in the prospectus. As such, there is no reason to assume that there will be redemptions that affect the continuity of the Fund.

The Fund manager has the intention to put the decision for formal liquidation of the Fund on the agenda of the Annual General Meeting in May 2024. We have reviewed internal communication to stakeholders confirming that this will be included in the agenda of the Annual General Meeting in May 2024. If the decision to liquidate the Fund is approved by the Annual General Meeting in May 2024, the liquidation is expected to become final in September 2024 or earlier. This indicates the existence of a material uncertainty that may cast significant doubt upon the Fund's ability to continue as a going concern. However, as of the preparation date of these financial statements, no irrevocable decision has been made to formally terminate the Fund. Upon liquidation, the Manager expects that the Fund will be able to fulfil its obligations.

As a result, it is therefore uncertain whether a wind down of the Fund will be effectuated within the next twelve months after the approval of financial statements, which would justify the financial statements being prepared on a going-concern basis. Therefore, the financial statements have been prepared on the assumption that the Fund is a going concern. The current accounting policies are based on the existing accounting policies as applied in prior years.

In order to evaluate the appropriateness of the director's use of the going-concern basis of accounting, including the director's expectation that the director's plans sufficiently address the identified going-concern risks and the adequacy of the related disclosures, we, among other things, performed the following procedures.



Based on our knowledge obtained regarding the entity, its environment and current financial situation, we assessed whether the information obtained regarding events or conditions that may result in going-concern risks has been included in the director's assessment. We have taken into account information such as the fact that the Fund has limited external liabilities and the Fund has sufficient liquid investment balances and cash balances to meet its obligations regarding these liabilities and possible liquidation costs. In addition, we have inquired of the director as to the director's knowledge of going-concern risks beyond the period of the director's assessment.

We evaluated whether the going-concern risks, including the director's plans to address the identified risks and the most significant underlying assumptions, have been sufficiently described in the notes to the financial statements. We found the disclosure in section 'Going Concern' of the financial statements, where the director disclosed conditions that indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern, to be adequate.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the 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 identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters. There were no changes in the key audit matters that were included in previous year's report due to the nature of the Fund.

In addition to the matter described in the section 'Material uncertainty related to going concern' we have determined the matters described below to be the key audit matters to be communicated in our report.

<i>Key audit matter</i>	<i>Our audit work and observations</i>
<p><b><i>Existence and valuation of investments in securities</i></b></p> <p><i>Note 1 in the financial statements</i></p> <p>The investments consist of investments in listed securities for €32.1 million (2022: €31.9 million) and are based on the accounting policies disclosed in the financial statements. As at 31 December 2023, the investments amount to 83% of the balance sheet total. The investments are measured at fair value. The fair value is determined based on observable market information.</p> <p>The valuation and existence of the investments in securities is a key audit matter, as this determines to a large extent the Fund's net asset value. It is in the interest of the investors that the investments are held by the Fund and accurately measured. As a result, the audit procedures on the valuation and existence of the investments are an important part of our overall audit procedures for the financial statements of the Fund.</p>	<p>We obtained audit evidence with regard to the design, the implementation and the operating effectiveness of the internal control measures through the audit procedures outlined in the paragraph 'The scope of the audit'. We concluded that, to the extent relevant for the purpose of our audit, we were able to rely on these internal control measures.</p> <p>In addition to this, we performed substantive audit procedures.</p> <p>We tested the existence of all investments in securities by sending and receiving confirmations from the custody bank independent of the director. No material differences were noted.</p> <p>We evaluated the listed investments by comparing the fair value of the total investment portfolio as at 31 December 2023 with prices from external data vendors. No material differences were noted.</p>

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**Key audit matter**

The Fund uses an independent custody bank to safeguard the investments.  
The investment portfolio consists of investments in listed securities, which are less subject and sensitive to the director's estimates. Nevertheless, the relative size, combined with the interest of the investors, justifies the importance in our audit towards existence and valuation of investments.

**Accuracy and completeness of indirect results from investments in securities**

*Note 6 in the financial statements*

The total results from investments in securities are included in the profit and loss account and are based on the accounting policies disclosed in the financial statements. The result for the year 2023 of the Fund amounts to a profit of €13.8 million (2022: loss of €3.4 million). This result consists of the following amounts: the direct results of positive result of €0.683 million (2022: positive result of €0.1 million), the indirect result of investments amounts to a positive result €15.6 million (2022: negative result of €2.3 million).

The indirect results consist predominately of realised and unrealised movements in the fair value of the securities.

The accuracy and completeness of the indirect results from investments in securities is a key audit matter, due to its relative significance and because revenue is an important element for the assessment of the performance of the Fund.

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**Our audit work and observations**

We also evaluated whether the explanatory notes of the investments, as included in the financial statements of the Fund, are adequate and complete and give the appropriate information on the nature, the financial results and the risk profiles of the investments in compliance with the applicable system of financial reporting. No material differences were noted.

We obtained audit evidence with regard to the design, the implementation and the operating effectiveness of the internal control measures from the manager through the audit procedures outlined in the paragraph 'The scope of the audit'.

We concluded that we, as far as relevant for the purpose of our audit, were able to rely on these internal control measures.

In addition to this, we performed substantive audit procedures on the indirect income of investments. We tested the realised and unrealised movements on investments on securities through our test work of the valuation of the investments as at 31 December 2023. For further explanation of the audit of the valuation of the investments, refer to the key audit matter 'Existence and valuation of investments'. Moreover, through a total reconciliation of the movements of the investments during the year, we tested whether indirect investment income was accurately and completely reported. We performed a reconciliation between the purchase, sales and valuation of the investments (opening and closing balance) and recalculated the indirect result, which we compared to the financial statements. For the accuracy and the completeness of the purchases and sales of the investments, we relied on the purchase and sales reports prepared by the administrator, which are subject to the ISAE 3402 report of the administrator. No material differences were noted.

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## ***Report on the other information included in the annual report***

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The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The director is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The director and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

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## ***Report on other legal and regulatory requirements***

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### ***Our appointment***

We were appointed as auditors of LSP Life Sciences Fund N.V. on 31 March 2021 by the supervisory board. This followed the passing of a resolution by the shareholders at the Annual General Meeting held on 31 May 2021. Our appointment has been renewed annually by the shareholders and now represents a total period of uninterrupted engagement of three years.

### ***No prohibited non-audit services***

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

### ***Services rendered***

The services, in addition to the audit, that we have provided to the Fund, for the period to which our statutory audit relates, are disclosed in note 9 to the financial statements.



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## ***Responsibilities for the financial statements and the audit***

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### ***Responsibilities of the director and the supervisory board for the financial statements***

The director is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the director determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the Fund's ability to continue as a going concern. Based on the financial reporting framework mentioned, the director should prepare the financial statements using the going-concern basis of accounting unless the director either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so. The director should disclose in the financial statements any event and circumstances that may cast significant doubt on the Fund's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Fund's financial reporting process.

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### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 18 April 2024  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA

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## ***Appendix to our auditor's report on the financial statements 2023 of LSP Life Sciences Fund N.V.***

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In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional 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 Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Concluding on the appropriateness of the director's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Fund'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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Fund to cease 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 deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 actions taken to eliminate threats or safeguards applied.



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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# STATEMENT OF THE DEPOSITARY

## Considering that

- CACEIS Bank, Netherlands branch (“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 2023 up to and including 31 December 2023, (“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 Dutch 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, 18 April 2024

**CACEIS bank, Netherlands branch**

## RESPONSIBLE INVESTMENT REPORT

Product name: LSP Life Sciences Fund N.V.

Legal entity identifier: 724500YDP1CL5LKTUK53

### Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

Yes

No

It made **sustainable investments with an environmental objective: \_\_\_%**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective: \_\_\_%**

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**



## To what extent were the environmental and/or social characteristics promoted by this financial product met?

### ● How did the sustainability indicators perform?

The Fund promotes reducing society's *unmet medical need* by investing in companies that are developing treatments for life threatening diseases or serious debilitating conditions. To determine to what extent this societal characteristic is attained, the Fund rates the pipeline of the portfolio companies on a scale ranging from 1 to 5 according to the extent these products contribute to alleviating the unmet medical need. In addition, the products are classified according to the phase of their development.

Unmet medical need classification	Phase				
	Discovery	Preclinical	Clinical	Pre-market	Market
5   No alternative treatment	5	1	3		2
4   Very considerable treatment advantage	33	21	98		8
3   Considerable treatment advantage		2	5		1
2   Modest treatment advantage					
1   No or very small treatment advantage					

As per the reporting date, the portfolio companies of the Fund had an aggregate of 179 products in their pipelines, across various stages of development.

In order to provide an estimate of the impact on society, the products were also assessed on their respective target patient population as shown in below table.

Unmet medical need classification	Target patient population				
	> 5 mln	1 - 5 mln	0.1 – 1 mln	1k – 0.1 mln	< 1k
5   No alternative treatment	3	1	2	5	
4   Very considerable treatment advantage	51	17	48	44	
3   Considerable treatment advantage	4		4		
2   Modest treatment advantage					
1   No or very small treatment advantage					

As per the reporting date, the 171 products in the pipelines of the portfolio companies that have either a very considerable treatment advantage of no alternative treatment option (classifications 4 and 5) have a combined target population in excess of 293 million patients.

Furthermore, all portfolio companies are assessed on their practices with respect to good governance. Such good governance practices include (i) a sound management structure with a (supervisory) board that monitors the company's executive management, (ii) an appropriate level of employee ownership and (iii) compliance with national and international tax compliance standards. The assessment of the good governance practices of the portfolio companies as per the reporting date is shown in the table below.

Good governance practice	Compliant portfolio companies	Non-compliant portfolio companies
Sound management structure	18	0
Appropriate level of employee ownership	18	0
Compliance with national and international tax compliance standards	18	0

Finally, the Fund has stringent exclusions criteria and excludes companies from its investment universe on the basis of environmentally or socially controversial products which includes amongst others the production of and trade in tobacco and distilled alcohol beverages; production of and trade in weapons and ammunition of any kind; the exploitation, supply and production of and trade in oil and gas; casinos and equivalent enterprises.

● *...and compared to previous periods?*

At the previous reporting date, there were 173 products in the pipelines of the portfolio companies that had either a very considerable treatment advantage of no alternative treatment option (classifications 4 and 5) which at the time had a combined target population in excess of 296 million patients.



### What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
Pharvaris	Therapeutics	13.8%	Netherlands
Calliditas Therapeutics	Therapeutics	12.9%	Sweden
Argenx	Therapeutics	10.2%	Netherlands
Evotec	Therapeutics	10.2%	Germany
Intra Cellular Therapies	Therapeutics	6.2%	United States

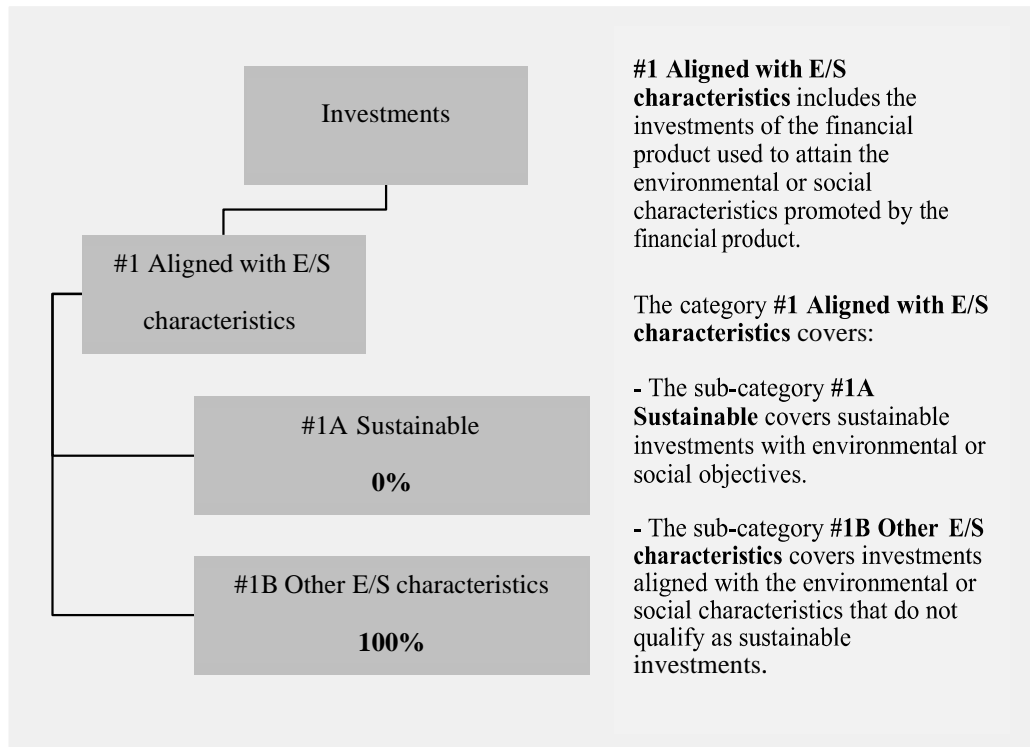




## What was the proportion of sustainability-related investments?

### What was the asset allocation?

Of the investments that the Fund holds at the reporting date, 100% thereof is aligned with environmental and/or social characteristics. Furthermore 100% of the investments are aligned with environmental or social characteristics that do not qualify as sustainable investments.



### In which economic sectors were the investments made?

The investments of the Fund are all made in the Therapeutics and Medical Device sectors.



## What actions have been taken to meet the environmental and/or social characteristics during the reference period?

All prospective portfolio companies of the Fund are assessed on their potential for addressing unmet medical needs. This is in fact one of the prime criteria in the investment decision. After an investment is made, the Fund closely monitors the development of the respective portfolio company's product pipeline.

Furthermore, all current and prospective portfolio companies are assessed on its practices with respect to good governance. Such good governance practices include (i) a sound management structure with a (supervisory) board that monitors the company's executive management, (ii) an appropriate level of employee ownership and (iii) compliance with national and international tax compliance standards.

To safeguard that the Fund does not invest in companies that significantly harm any sustainable investment objective, the Fund has stringent exclusions criteria. The Fund excludes companies from its investment universe on the basis of environmentally or socially controversial products which includes amongst others the production of and trade in tobacco and distilled alcohol beverages; production of and trade in weapons and ammunition of any kind; the exploitation, supply and production of and trade in oil and gas; casinos and equivalent enterprises.