



LSP Advisory B.V.

Report on the first half of 2022



LSP Advisory B.V.

Financial report for the period January
until June 2022

(no audit or limited review has been performed)

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Directors' report

General

LSP Advisory B.V. (the Company) was incorporated on 3 March 2008 as an asset manager focussing on investments in publicly listed life sciences companies. It currently manages the Euronext listed LSP Life Sciences Fund N.V. (the Fund), four client mandates (the Mandates) and the closed-end Private Equity Alternative Investment Funds (AIFs). During the reporting period the combined Assets under Management (AuM) have increased from € 909 million to € 982 million, a 8% increase.

LSP Advisory B.V. has its statutory seat at Johannes Vermeerplein 9, Amsterdam, the Netherlands and is registered at the Trade Register of the Chamber of Commerce in Amsterdam under file number 34296447.

Governance

LSP Advisory B.V. is a wholly owned subsidiary of LSP Management Group B.V. 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.

LSP Advisory B.V. has been granted a license pursuant to Article 2:65 of the Dutch Act on Financial Supervision (Wft) by the Netherlands Authority for the Financial Markets (AFM) 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. Since 24 November 2015, LSP Advisory B.V. also holds a license pursuant to Article 2:67a, 2nd paragraph, sub a of the Wft for asset management (individueel vermogensbeheer) in connection with the management of the Mandates.

In July 2020 the Asset under Management of the private equity funds of LSP crossed the AIFMD-light threshold. In consultation with the AFM, it was decided to also designate the management of the private funds to LSP Advisory B.V. An application for a license expansion pursuant to Article 2:67, 1st paragraph, was submitted to AFM in August 2020 and was subsequently approved on 10 June 2021.

In view of this group restructuring, the Supervisory Board of LSP Advisory B.V. has been dissolved and is replaced by oversight at the level of the Alternative Investment Funds (AIFs).

Key Financial Data

In the first half year of 2022 LSP Advisory B.V. had revenues amounting to € 22.6 million compared to € 0.7 million in the same period prior year. This revenue consists of € 22.2 million management fee from

the closed-end Private Equity AIFs. Operating expenses for the period amount to € 5.4 million (2021 H1: € 0.6 million) and there is no corporate income tax (2021 H1: € nil), resulting in a net profit for the period of € 17.2 million (2021 H1: € 93 thousand). Per period end the shareholders' equity amounted € 12.6 million (2021 year-end: € 8.9 million) which is well above the solvency requirement as included in the AIFMD. Current assets minus current liabilities as of 30 June 2022 amounted to € 12.6 million (2021 year-end: € 8.9 million).

Risk management

LSP Advisory B.V. has established and maintains a permanent risk management function that implements effective risk management policies and procedures in order to identify, measure, manage and monitor on an ongoing basis all relevant risks.

The risk management function is functionally and hierarchically separated from the investment management function. The risks of LSP Advisory B.V. itself are mainly related to:

- Market risks
- Credit risk
- Operational risks, including regulatory compliance risk

LSP Advisory B.V. is exposed to market risk as the management fee is linked to the Assets under Management. In turn the AuM fluctuate with market movements. Also, the performance fee is influenced by market movements as well as investment performance. Credit risk mainly relates to the solvency and liquidity of the investment funds from which LSP Advisory B.V. receives its fees. Operational risks relate mainly to people, e.g. skill and retention of key investment personnel, IT systems and regulatory compliance risk.

Personnel

During the reporting period the number of employees seconded from LSP Operations B.V. to LSP Advisory B.V. was 27, equal to year-end 2021.

Investments and financing

LSP Advisory B.V. will continue to make investments in its team and infrastructure in order to further improve the trade execution capabilities, risk management, data analytics and fundraising capability. The Company is completely financed with equity and it is expected to remain that way for the next couple of years. Aforementioned investments will be financed out of retained earnings.

Administrative organization and internal controls

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

Based on the above, we declare as LSP Advisory B.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 Directors of LSP Advisory B.V. confirm to the best of their knowledge that:

- the financial statements for the period January until June 2022 have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and give a true and fair view of the assets, liabilities and financial position of LSP Advisory B.V. as at 30 June 2022 and of its result for the period then ended;
- the report includes a fair review of the key developments of the Company during the period and the effects thereof on the annual report, together with the principal risks and uncertainties of upcoming six months;
- the report provides adequate disclosure of the principal transactions with related parties.

Outlook

For the remainder of 2022, LSP Advisory B.V. expects to grow its Assets under Management, in line with the ambition to become a sizable player in its market. It is expected that this growth comes from a combination of investment performance as well as the launch of new products.

Disclosure in respect of COVID-19 virus

Economic expectations and prospects for capital markets were revised sharply downwards in the first quarter of 2020 due to the spread of the Covid-19 (commonly referred to as ‘Corona’) virus. Extensive measures have been taken worldwide to contain the virus. It is clear that these measures will have a huge impact on the economy. Central bankers and governments have announced measures to mitigate the economic impact of the Covid-19 virus. The further course of the virus will determine how long the measures will remain in effect. These developments have a major impact on society and economies. For the period January until June 2022 the impact on the Company’s result were relatively limited. The director follows developments closely, but it doesn’t expect that Covid-19 will have a material negative impact on either the Company’s operations or financial position of the Company going forward.

Russian invasion in Ukraine

On 24 February 2022, Russia launched a military offensive against Ukraine. This led to widespread sanctions against Russia and heightened security and cyber threats. The situation in the region is changing rapidly; the Company is closely monitoring the situation and will take the actions it deems necessary to preserve and protect the interest of the investors in its funds and mandates. This concerns, but is not limited to, ensuring compliance with the requirements of all international sanctions, proactive management of the assets of funds and mandates in order to minimize risks and applying all protective measures and protocols with respect to the heighten cyber threats. Although the funds and mandates it manages do not hold assets in Ukraine, Russia or neighbouring countries directly, market disruptions due to current geopolitical events have a global impact and the consequences are uncertain. Any such disruptions may adversely affect the performance of the funds and/or the mandates. The Company continues to monitor the developments and evaluate their implications.

LSP Advisory B.V.

Mark Wegter

Merijn Klaassen

Financial statements

Balance sheet as at 30 June 2022

Assets	30 June 2022		31 December 2021	
(in Euro)				
Current assets				
Receivables from group companies	1	1,364,400		9,882,906
Other receivables	2	4,031,460		977,675
Cash and cash equivalents	3	<u>10,667,638</u>		<u>141,448</u>
			16,063,498	11,002,029
			<u>16,063,498</u>	<u>11,002,029</u>
Liabilities				
(in Euro)				
Equity				
	4			
Issued capital		18,000		18,000
Share premium		332,000		332,000
General reserve		(4,898,714)		1,546,699
Result for the year		<u>17,156,850</u>		<u>7,024,859</u>
			12,608,136	8,921,558
Current liabilities				
Taxes and social security premiums	5	39,347		76,838
Payables to group companies	6	3,285,425		-
Other liabilities	7	<u>130,590</u>		<u>2,003,633</u>
			3,455,362	2,080,471
			<u>16,063,498</u>	<u>11,002,029</u>

Profit and loss account for the period January until June 2022

	01-06/2022		01-06/2021	
(in Euro)				
Management fee	9	<u>22,598,087</u>		<u>687,756</u>
Operating income		22,598,087		687,756
Staff expenses	10	141,708		416,135
Other operating expenses	11	406,745		153,359
Service fee	12	<u>4,885,920</u>		<u>25,650</u>
Operating expenses		5,434,373		595,144
Operating income (loss)		<u>17,163,714</u>		<u>92,612</u>
Interest expenses		<u>(6,864)</u>		<u>-</u>
Financial result		(6,864)		-
Income before tax		<u>17,156,850</u>		<u>92,612</u>
Corporate income tax	13	-		-
Net income (loss) for the year		<u>17,156,850</u>		<u>92,612</u>

Notes to the financial statements

General

LSP Advisory B.V. is a private limited liability company established under the laws of the Netherlands on 3 March 2008. LSP Advisory B.V. has its statutory seat at Johannes Vermeerplein 9, Amsterdam, the Netherlands and is registered at the Trade Register of the Chamber of Commerce in Amsterdam under file number 34296447. Its primary activities consist of managing investment funds and mandates in the healthcare sector.

Principles of accounting

Basis of preparation

The accompanying financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil code and the Generally Accepted Accounting Principles in the Netherlands. In view of the size of the Company, the exemption provided for in article 396, Title 9, Book 2 of the Netherlands Civil code (small company) has been applied.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

General

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

Income and expenses are allocated to the financial year to which they relate.

All amounts are in Euro (€), the Company's functional currency, unless otherwise stated.

Using estimates and judgments

The preparation of the financial statements requires that management make judgements and use estimates and assumptions that affect the application of the accounting principles and the reported value of the assets and liabilities and the income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are continually reviewed. Revised estimates are incorporated in the period in which the estimate is revised and in future periods for which the revision has consequences.

Foreign exchange translation

Transactions denominated in foreign currency are translated into the relevant functional currency of the Company at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Translation gains and losses are taken to the profit and loss account.

Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into the functional currency at the applicable exchange rates applying on the transaction date. Non-monetary assets and liabilities in foreign currency that are stated at present value are translated into the functional currency at the applicable exchange rates at the moment the present value is determined. Translation gains and losses are taken directly to equity as part of the revaluation reserve.

Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other financial liabilities. These financial statements contain the following financial instruments: trade and other receivables, cash items and other financial liabilities.

Financial instruments are initially stated at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition.

After initial recognition, financial instruments are valued in the manner described below.

Other receivables

Other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses.

Equity

Financial instruments taking the legal form of shareholders' equity instruments are presented under shareholders' equity. Distributions to the holders of these instruments are deducted from shareholders' equity.

Current liabilities

Current liabilities are stated after their initial recognition at amortised cost on the basis of the effective interest rate method.

Taxes

Taxes are calculated on the result, taking into account existing tax facilities.

Balance sheet as at 30 June 2022**Current Assets****1. Receivables from group companies**

The receivables from group companies consist of a receivable from EQT Partners GmbH of € 88 thousand and from LSP Operations B.V. of € 1.0 million for funding and from LSP 7 Management B.V. of € 0.2 million for remaining management fee as well as a receivable from LSP Life Sciences Fund N.V. for management fee of € 81 thousand regarding May and June 2022 and costs paid of € 17 thousand. All these receivables are due within one year.

2. Other receivables

Other receivables consist of management fee of € 2.1 million receivable from the closed-end Private Equity AIFs and € 0.2 million in connection with the Client Mandates. Next to this there are receivables from several LSP funds of in total € 0.3 million and from MRMJ Holding B.V. of € 1.4 million. All these receivables are due within one year.

3. Cash and cash equivalents

Cash and cash equivalents consist of cash at banks with ING Bank in Amsterdam. All cash and cash equivalents are available on demand.

4. Equity

(in Euro)	Issued capital	Share premium	General reserve	Result for the year	Total
Balance as at 31 December 2020	18,000	332,000	1,427,707	2,218,992	3,996,699
Changes during the year					
Transfer of result to reserve			2,218,992	(2,218,992)	-
Interim dividend			(2,100,000)		(2,100,000)
Result for the year				7,024,859	7,024,859
Balance as at 31 December 2021	18,000	332,000	1,546,699	7,024,859	8,921,558
Changes during the year					
Transfer of result to reserve			7,024,859	(7,024,859)	-
Interim dividend			(13,470,272)		(13,470,272)
Result for the year				17,156,850	17,156,850
Balance as at 30 June 2022	18,000	332,000	4,898,714	17,156,850	12,608,136

In the period January to June 2022 the Company paid a dividend in the amount of € 13.5 million to its (sole) shareholder. In 2021 a dividend in the amount of € 2.1 million was paid.

Issued capital

The authorised capital of the Company amounts to € 90,000, divided in 90,000 common shares, with a par value of € 1.00, of which 18,000 shares have been issued and fully paid.

Current liabilities**5. Taxes and social security premiums**

Taxes and social security premiums consist of VAT payable for the second quarter of 2022 of € 39 thousand. This liability is due within one year.

6. Payables to group companies

The payables to group companies consist of a payable to LSP Bioventures Inc. of € 3.1 million and to EQT Belgium BVBA of € 0.2 million for service fee payable. All these receivables are due within one year.

7. Other liabilities

Other liabilities consist of third-party suppliers for an amount of € 79 thousand and various expenses made in the first half year of 2022, which will be paid before year end 2022 for an amount of € 51 thousand. All these liabilities are due within one year.

8. Off-balance sheet assets and liabilities

LSP Advisory B.V. is part of a fiscal unity with LSP Health Economics Fund Management B.V., LSP Operations BV, LSP IV Management B.V., LSP V Management B.V., LSP 6 Management B.V., LSP 7 Management B.V. and LSP Dementia Fund Management B.V. with EQT Life Sciences Group B.V. being the ultimate holding company. The income tax for the group is payable at group level and only recorded in the financial statements of the mother. LSP Advisory B.V. is however jointly and severally liable for the aggregate Corporate Tax liability of this group in case EQT Life Sciences Group B.V. does not timely or fully pay the group's taxes.

Income Statement for the period January until June 2022**9. Management fee**

LSP Advisory B.V. has concluded an investment management agreement with LSP Life Sciences Fund N.V. pursuant to which LSP Advisory B.V. is entitled to receive a management fee 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.

In addition, LSP Advisory B.V. has concluded an investment management agreement with the Client Mandates pursuant to which LSP Advisory B.V. is entitled to receive a management fee of up to 1.5% per annum of the average Net Asset Value of the respective Client Mandate.

LSP Advisory B.V. has concluded an AIFM agreement with the closed-end Private Equity Alternative Investment Funds (AIFs) pursuant to which LSP Advisory B.V. is entitled to receive a management fee for a certain percentage of the committed capital of the LSP funds during the investment period.

The aggregate management fee for the period amounted to € 22.6 million (2021 H1: € 0.7 million).

10. Staff expenses

(in Euro)	01-06/2022	01-06/2021
Gross wages and salaries	115,826	345,482
Social security charges	10,809	27,504
Pension insurance	14,476	41,358
Other staff expenses	597	1,791
Total staff expenses	141,708	416,135
FTE at period end	3.5	3.7

As part of the AIFMD implementation, the Investment Managers and the Risk Manager have been seconded to LSP Advisory B.V. as of 1 July 2014. As part of this secondment agreement LSP Operations B.V. charges the fully loaded personnel expenses to LSP Advisory B.V. As such the above table shows the staff expenses for the year 2021.

LSP Advisory B.V. has implemented the AIFMD regulations regarding remuneration and has established 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 Company 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 Funds under management.

11. Other operating expenses

(in Euro)	01-06/2022	01-06/2021
Advisory costs	250,074	27,573
Travel, meeting and representation expenses	149,718	119,272
Other costs	6,953	6,514
Total other operating expenses	406,745	153,359

12. Service fee

(in Euro)	01-06/2022	01-06/2021
Service fee LSP Operations B.V.	3,043,380	25,650
Service fee LSP Bioventures Inc.	3,924,725	-
Service fee EQT Belgium BVBA	385,900	-
Service fee EQT Partners GmbH	1,052,016	-
Total service fee	8,405,920	25,650

LSP Operations B.V., LSP Bioventures Inc., EQT Belgium BVBA and EQT Partners GmbH charge a service fee at arm's length conditions to LSP Advisory B.V. for investment services. For the period January to June 2022 the total fee charged amounted to 8.4 million thousand (2021 H1: € 26 thousand).

13. Corporate income tax

From 1 March 2022, LSP Advisory B.V. is part of a fiscal unity with EQT Life Sciences Group B.V., which bears the corporate income tax as being the holding company.

14. Related party transactions

LSP Operations B.V., LSP Bioventures Inc., EQT Belgium BVBA and EQT Partners GmbH charge a service fee to LSP Advisory B.V. as disclosed in note 12.

15. Post-balance sheet 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 Company.

Amsterdam, 31 August 2022

As Statutory Directors

Mark Wegter

Merijn Klaassen