Årsrapporten er fremlagt og godkendt
på selskabets ordinære generalforsamling
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(dirigent)

Zealand Pharma A/S

CVR.: 20 04 50 78

Årsrapport 2015

ANNUAL
REPORT
2015

From peptide to patient.

Zealand Pharma A/S

Contents.

Zealand in brief.

Zealand is a maturing biotech company with established scientific expertise and a leading-edge position in turning peptides into medicines (see p. 2).

The company has a mature portfolio with five products out-licensed to Sanofi, Helsinn and Boehringer Ingelheim, including one marketed medicine and two under regulatory review in the US.
Zealand's strategic focus is on its growing proprietary pipeline, which includes four investigational medicines in clinical development.

Out-licensed products: Lixisenatide (Type 2 diabetes), marketed as Lyxumia® outside the US and under US regulatory review, and a combination of lixisenatide and Lantus® (LixiLan) (Type 2 diabetes), also under US regulatory review, both by Sanofi; elsiglutide (chemotherapy induced diarrhea) in Phase IIb development by Helsinn; and two preclinical projects (diabetes and/or obesity) by Boehringer Ingelheim. On all our out-licensed products, Zealand has no financial obligations and is eligible to potential milestone payments and sales royalties.

Proprietary pipeline (all rights with Zealand): ZP4207 glucagon rescue treatment (acute, severe hypoglycemia) in Phase II; ZP1848 (short bowel syndrome) in Phase II; ZP4207 multiple-dose version (hypoglycemia control) in preparation for next clincal Phase; and ZP2929 (diabetes/obesity) in Phase I. In addition, Zealand has several therapeutic peptides in preclinical development.

Zealand's management is highly international with broadly diversified competencies. The organization is agile and efficient with established in-house expertise from early research to late-stage clinical development. At the beginning of 2016, the company had just over 110 employees of wich 80% work in R&D functions.

Zealand is publicly listed on Nasdaq Copenhagen (ZEAL.CO) with a market value of DKK 3 billion / EUR 397 million as of 1 March 2016. (Market value 31 December 2015: DKK 3.7 billion / EUR 498 million).

Zealand's financial position is solid including cash resources of DKK 440 / EUR 59 million by end 2015.

In 2016 and onwards, royalty and milestone revenues from the out-licensed portfolio are expected to grow, providing financing for the continued advancement and expansion of Zealand's proprietary pipeline.

Front cover features Zealand employees from left to right: Nina from Medicinal Chemistry, Thomas from Clinical Development and Hanne from Project Management.

Highlights in 2015 and early 2016.

– Progress on all fronts

Our business has considerably matured since the beginning of 2015. Under our agreement with Sanofi, both lixisenatide and LixiLan have been filed for US approvals with prospects of significant revenue growth and a path to profitability for our company in the years to come. We have advanced our own pipeline, including initiation of two Phase II trials with two Zealand invented investigational medicines. All in line with our strategy for accelerated value creation, where we will take select specialty peptide medicines all the way through registration ourselves for the benefit of patients and shareholders.

President & CEO / Britt Meelby Jensen

Out-licensed products:

Lixisenatide (Type 2 diabetes):
- Cardiovascular safety established (ELIXA trial)
- Filed for US approval

Fixed-ratio combination of lixisenatide and insulin glargine (Type 2 diabetes)
- Successfully completed Phase III
- Filed for US approval with priority review

Elsiglutide (chemotherapy induced diarrhea):
- Started in Phase IIb
- Completed patient enrollment

Boehringer Ingelheim
- A new lead drug candidate advanced into preclinical development under each of two collaborations

Proprietary pipeline (all rights with Zealand):

ZP4207 (acute, severe hypoglycemia):
- Phase I trial completed with positive results
- Advanced into Phase II with start of patient dosing

ZP1848 (Short bowel syndrome):
- Advanced into Phase II
- Start of patient dosing in Phase II Proof-of-Concept trial

ZP4207 (hypoglycemia control):
- Advanced into Phase Ib development
- Phase Ib completed with positive results

Danegaptide (cardiac reperfusion injuries):
- Completed Phase II Proof-of-Concept trial, unfortunately with negative results

Expansion of clinical competencies, including in-house regulatory, quality and medical expertise

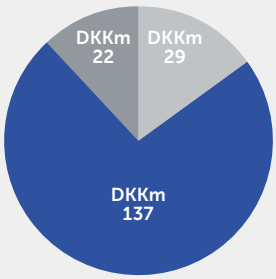
92% increase in market value in 2015

Doubling of shareholders to > 10,000*

US ownership share of 17-20%*

** As per 1 March 2016*

2015 YEAR END CASH POSITION
DKKm 440



2015 REVENUE
DKKm 188

- Lyxumia® royalties
- Sanofi milestone payments
- Boehringer Ingelheim milestone payments

Value creation at Zealand.

– Turning peptides into medicines

What are peptides?

Peptides are naturally occurring biological molecules. Like proteins, they are made up of chains of amino acids, however typically shorter (2-50 amino acids long). In the human body alone, there is an estimated 7,000 native peptides, which are involved in many essential physiological functions. Due to their important roles, peptides represent a highly relevant basis for medicines. Peptides generally have high potency (strong biological effect at low concentrations) and strong selectivity (effect primarily on the intended biological target), which is of therapeutic relevance. Due to their smaller size, peptides also offer advantages over proteins in terms of therapeutic administration routes and cost of manufacturing.

Key steps in the value chain for a new medicine

The development of a new investigational medicine is a long, expensive and highly regulated process. Addressing patients' unmet medical needs is of high long-term value, when taking into consideration also that new medicines usually are protected by patents or data exclusivity for several years after launch. It takes on average 12–15 years from the identification of a new drug project idea to market launch of a new medicine. As a project successfully advances from design phase to selection of a lead investigational medicine candidate for preclinical development (laboratory and animal studies) and subsequently into and through the clinical development Phases I to III, its probability of success, i.e. of market approval, and value increases significantly. This is a result of additional supportive efficacy and safety data being generated and validated by healthcare authorities at each step.

With reference to the table below, on average one out of 10 investigational medicines advanced into clinical development will succeed all the way to the market.

Probabilities of success to market for an investigational medicine

Development stage	Clinical Phase I	Clinical Phase II	Clinical Phase III	Under regulatory review
Market probability	10%	16%	50%	83%

Source: Hay, M. et al. (2014): Clinical development success rates for investigational drugs, Nature biotechnology

Zealand's approach and focus

Zealand has an established leading scientific expertise in the field of peptide-based medicines. Our in-house competencies include a deep understanding of peptide chemistry and functionality coupled with extensive experience applying structural design principles to develop novel medicines.

For each new project we apply our capabilities to identify novel peptides with optimal therapeutic profiles in terms of efficacy and safety as well as ensuring cost effectiveness and development of strong intellectual property (IP) protection. Our R&D organization is structured to progress a novel investigational peptide medicine effectively through preclinical development, including the establishment of proof-of-mechanism in cell based disease assays (in vitro) and in key animal disease models (in vivo).

Over the past few years, we have expanded and strengthened our development competencies downstream to include a strong clinical experience team including quality assurance and regulatory. Today, Zealand has the necessary in-house capacity to advance investigational medicines from idea to pre-clinical IND-enabling studies and through the clinical development Phases I to III.

Our therapeutic focus lies in specialty disease areas where peptide-based medicines have particular relevance and where the patient populations are easily identifiable and treated by specialists. In such areas, the complexity and size of the clinical development program will typically be manageable for Zealand to take the proprietary medicine all the way through registration.

Partnering is an essential element for our value creation

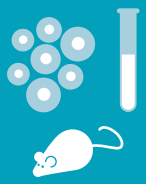
Partnering activities (in-licensing, out-licensing, acquisitions and R&D collaborations) are becoming an increasingly essential component in the development of Zealand's portfolio. We collaborate with academia, pharma and biotech companies, but also with medical centers and patient organizations as we progress along our strategic focus "From peptide to patient" taking select medicines all the way through registration.

We look for new opportunities in specialty disease areas where peptides have strong potential, but also relevant non-peptide clinical opportunities where Zealand's competencies can be applied.

Preclinical development

Dynamic interaction in R&D to optimize therapeutic profile

~7,400 Zealand peptides with optimized profile



Idea generation
We initiate new peptide medicine projects by focusing on a selected biological target of relevance in a specialty disease area. Key in the idea phase is to carefully evaluate and define the IP space and opportunities to create novel IP.

Peptide structure optimization
Based on the native peptide, we optimize the molecular structure in order to get:

- Strong therapeutic effect
- High stability of the peptide to provide a convenient dosing profile
- Strong patent protection
- Good safety profile

Establish Proof-of-Principle
We study the effect of the peptide medicine in relevant disease models and preclinical evaluation of the products' safety profile.

Intellectual Property

Protection of our proprietary peptide therapeutics, processes, technologies and know-how are important for us.

~670 active patents

Partnerships: Value enhancement and sourcing of new opportunities

Access to competencies and external opportunities via partnerships with academia, biotech and clinical centers is important to grow our pipeline while retaining a dynamic organization. New external opportunities are persued in preclinical and early clinical development, where Zealand competencies can be applied.

10 Zealand peptides advanced into clinical development

Clinical development

2 medicines based on Zealand peptide advanced into Phase III

8 Zealand peptide medicines advanced into Phase II

Phase III
In Phase III the therapeutic benefits of an investigatonal peptide medicine are confirmed in a representative number of patients. The objective is to provide evidence to support regulatory filings.

Phase II
The objective is to show relevant therapeutic effect in patients (clinical Proof-of-Concept). Often 2-3 different doses are investigated in parallel (dose-finding). The number of patients enrolled depends on the disease indication.

Phase I
First dosing in a small number of humans to investigate the clinical safety of an investigational medicine. This Phase typically involves healthy volunteers but can also include patients.

2 medicines based on Zealand peptides filed for approval

1 marketed medicine

Regulatory review process

EUROPEAN MEDICINES AGENCY
SCIENCE MEDICINES HEALTH

FDA

Submissions of files for regulatory approvals in the US, EU and Japan. Acceptance and review processes by the respective authorities US Food and Drug Administration (FDA) and European Medicines Agency (EMA).

On the market

Zealand peptide-based medicines are made available for patients.

Consolidated key figures.

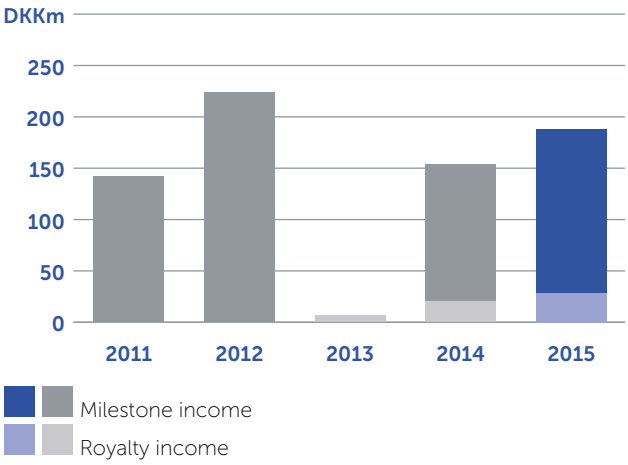
DKK '000	Note	2015	2014	2013	2012	2011
Income statement and comprehensive income						
Revenue		187,677	153,773	6,574	223,565	142,284
Royalty expenses		-22,267	-13,776	-872	-15,933	-112
Gross profit		**165,410**	**139,997**	**5,702**	**207,632**	**142,172**
Research and development expenses		-214,959	-180,036	-164,467	-182,759	-126,938
Administrative expenses		-44,606	-39,826	-34,155	-27,611	-34,905
Other operating income		12,828	6,328	7,302	35,135	28,435
Operating result		**-81,327**	**-73,537**	**-185,618**	**32,397**	**8,764**
Net financial items		-38,505	1,047	1,942	3,975	4,613
Result from ordinary activities before tax		**-119,832**	**-72,490**	**-183,676**	**36,372**	**13,377**
Tax on ordinary activities	1	5,875	7,500	0	0	0
Net result		**-113,957**	**-64,990**	**-183,676**	**36,372**	**13,377**
Comprehensive income		**-113,957**	**-64,990**	**-183,676**	**36,372**	**13,377**
Earnings per share – basic (DKK)		-4.82	-2.87	-8.10	1.61	0.60
Earnings per share – diluted (DKK)		-4.82	-2.87	-8.10	1.60	0.60
Statement of financial position						
Cash, cash restricted and cash equivalents		440,199	538,273	286,178	358,922	278,342
Securities		0	0	24,383	126,940	149,358
Total assets		634,688	596,756	346,913	520,983	469,481
Share capital ('000 shares)		24,353	23,193	23,193	23,193	23,193
Shareholders' equity		252,231	252,828	316,141	491,015	441,397
Equity/assets ratio		0.40	0.42	0.91	0.94	0.94
Royalty bond		312,951	272,170	0	0	0
Cash flow						
Depreciation		6,215	5,932	5,911	5,319	4,129
Change in working capital		-138,871	15,521	-3,643	13,782	-30,943
Investments in fixed assets		-4,040	-4,497	-4,569	-8,849	-11,475
Free cash flow	2	-221,373	-46,680	-174,187	59,688	-13,281
Other						
Share price (DKK)		151,50	83.00	59.00	84.00	57.00
Market capitalization (DKKm)		3,689	1,925	1,368	1,948	1,322
Equity per share (DKK)	3	10.60	11.17	13.97	21.70	19.51
Average number of employees		110	103	107	104	91
Products in clinical development (year end)	4	6	5	6	7	6
Products in registration phase (year end)	5	2	0	0	0	0
Medicines on the market		1	1	1	0	0

Notes:
(1) According to Danish tax legislation Zealand is eligible to receive DKK 5.9 million in cash relating to the tax loss of 2015
(2) Free cash flow is calculated as cash flow from operating activities less purchase of property, plant and equipment
(3) Equity per share is calculated as shareholders' equity divided by total number of shares less treasury shares
(4) On 20 May 2015, Zealand initiated clinical Phase Ib development of ZP4207 for mulitple-dose use, and on 17 September 2015, ZP1848 was advanced into clinical Phase II development
(5) End of July 2015, Sanofi filed lixisenatide for regulatory approval in the US, and the file was accepted for review by the FDA in September 2015. In December 2015, Sanofi filed LixiLan for regulatory approval in the US. The file was accepted for review by the FDA in February 2016.

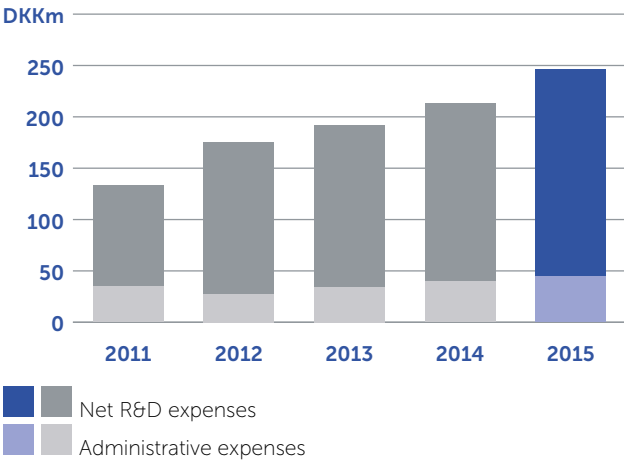
Financial highlights of 2015 and 2016 financial guidance.

Financial highlights of 2015

Revenue



Net operating expenses



Revenue

Zealand's revenue amounted to DKK 188 million in 2015, which was an increase of 22% over 2014.

The main revenue component was milestone payments of DKK 159 million, generated under the license collaborations with Sanofi and Boehringer Ingelheim. Milestone payments were up 19% compared to 2014.

Royalty revenue to Zealand from Sanofi's sales of Lyxumia® increased 41% in 2015 to DKK 29 million.

Net operating expenses

Total net operating expenses were DKK 247 million in 2015, up 16% compared to 2014. The increase was mainly driven by higher net research and development (R&D) expenses as a result of accelerated development activities. These included clinical Phase I and Ib single and multiple dose trials with ZP4207 (stable glucagon for hypoglycemia) and the preparation and advancement of ZP1848 (short bowel syndrome) into clinical Phase II development.

Financial guidance for 2016

In 2016, Zealand expects continuously growing royalty payments from Sanofi on sales of Lyxumia® outside the US. Pending positive US regulatory decisions on both lixisenatide and LixiLan in Q3 2016 and potential subsequent commercial launches by Sanofi also in 2016, royalty payments on US sales may be received as well. However, no specific guidance on the level of royalties can be provided, as Sanofi has given no guidance on 2016 sales of Lyxumia® or LixiLan.

Additional revenue of up to DKK 200 / EUR 27 million may be received from event driven partner related milestones.

Net operating expenses in 2016 are expected to increase to a range of DKK 340-360 / EUR 45-48 million. The increase over 2015 is explained primarily by a higher level of clinical development costs associated with the advancement of Zealand's proprietary clinical pipeline.

Operating loss before royalty income/expenses is therefore expected in a range of DKK 140-160 / EUR 19-21 million.

Letter from the Chairman.

Martin Nicklasson, Chairman of the Board of Directors

Dear Shareholder

In 2015 and into 2016, Zealand's business has advanced remarkably. I am very pleased to state that Zealand is in its strongest position ever.

The corporate objective of Zealand is to invent and provide new and better medicines with clear benefits to patients in areas of unmet medical need. Towards this end, we are determined to create a sustainable, innovative and profitable business with strong shareholder value. In order to support these objectives, we have in 2015 significantly enhanced the capabilities and competencies of our Board, installed a new dynamic management team and launched a strategy for accelerated value creation under the headline "From peptide to patient". I am confident that with these initiatives, we have the right foundation for Zealand to continue to succeed.

The need for better medicines is eternal and Zealand has established a leading position

The fundamentals for the pharmaceutical/biotech industry remain solid with significant needs for new and better medicines in many disease areas.

"I am confident that Zealand has the right management, the right strategy and the necessary competencies to remain successful and continue to develop its business for the benefit of patients and our shareholders."

In this context, I see substantial potential for Zealand based on its well-established scientific competencies to design and develop novel peptide medicines, which represents a field of significant unexplored potential.

Since innovation and effective execution are key success components in the biotech industry and in Zealand, we continuously strive to support innovation and improve our processes, to remain efficient in terms of the time and cost required to bring new medicines through development to meet patients' needs.

A highly international Board – And new senior management team in place

In 2015, we strengthened both Zealand's Board composition and its senior management. I am pleased that the new Board composition has led to a strengthened diversity of skills and international experience to effectively govern Zealand through the next phases of its exciting development. Furthermore, our new CEO Britt Meelby Jensen joined Zealand at the beginning of 2015 and she has brought additional important leadership qualities to the company. Under her firm leadership, a new competent senior management team has been put in place as well as we have launched a new value creating business strategy.

Diligent growth strategy for accelerated value creation

The new strategy for accelerated value creation at Zealand has its foundation in both Zealand's achievements to date and its prospects for significant royalty revenue growth in the coming years. The aim of the strategy is to take select specialty peptide medicines all the way from design through development to registration. Thereby, we aim long term to retain the full value creation and control of our own products.

All lights on green for Zealand in 2016

I am optimistic about Zealand's future opportunities and development prospects. 2015 was a transforming year, firmly setting the foundation for meeting our strategic goals.

I am convinced that Zealand has what it takes to remain successful and continue to grow its business for the benefit of our shareholders. I wish to thank you all for your trust while expressing, on behalf of the Zealand board, a strong commitment to work diligently also in the future in the best interests of the company and in the best of your interests.

Martin Nicklasson
Chairman, Board of Directors

Zealand's corporate objective

Accelerate value creation for patients and shareholders.

Letter from the CEO.

– Building for accelerated value creation

Dear Zealand shareholders

2015 was an exciting and eventful year where our business considerably matured.
We had defined 2015 as a catalyst year for our company. Looking back, it became a catalyst year as we reached all the milestones defined and we delivered more than we had guided on. We have seen advancements for both our proprietary and out-licensed products, we have developed our organization and competencies, we have strengthened the Board and the senior management team, and we have launched our new ambitious strategy "From peptide to patient".

Entering 2016 there is no doubt that Zealand is in a stronger position than ever.

In 2015, Zealand's business advanced to a higher level

Over the years, Zealand has built both a proprietary and an out-licensed portfolio. Zealand fully owns and controls the proprietary pipeline, leaving us the potential of a significant share of future sales revenue. The out-licensed portfolio is resourced and financed by our partners, and it represents medicines with broad potential and a maturity stage, which can generate important milestone and royalty revenues in the years to come. In 2015, important progress was delivered for both parts of the portfolio.

For our proprietary pipeline, we reached the following milestones:

- Danegaptide, a novel gap junction modifier for reperfusion injuries: Completion of the enrollment of almost 600 patients with an acute myocardial infarction in Phase II
- ZP4207, a glucagon analogue for acute, severe hypoglycemia in diabetes, completed Phase I with positive results
- ZP1848, a long acting GLP-2 analogue, advanced into Phase II for treatment of Short Bowel Syndrome
- ZP4207 for multiple dose use to better manage hypoglycemia in patients on insulin, advanced into and completed Phase Ib with positive results.

For our out-licensed portfolio, we also reached very important milestones:

- Lixisenatide, the first once-daily prandial GLP-1 agonist, was filed in the US
- The fixed-dose single-injection combination of lixisenatide and Lantus® (LixiLan), was submitted for regulatory review in the US using a priority review voucher
- Elsiglutide, a GLP-2 analogue for chemotherapy induced diarrhea, was advanced into Phase IIb
- Progress under both license agreements with Boehringer Ingelheim with the selection of new preclinical lead candidates and an associated milestone payment.

Launch of an ambitious strategy: "From peptide to patient"

Building on our current position of strength and the prospects of significant revenue growth from our portfolio of out-licensed products, we launched an ambitious growth strategy in November 2015. The new strategy sets the direction for accelerated value creation for Zealand, and it marks an important change of focus with regard to our proprietary portfolio and future playing field. We want to advance and expand our proprietary pipeline with the intention to take select proprietary medicines through to registration. We focus on specialty disease areas where peptides have high relevance, and advancement of new products will be based on both in-house and external innovation, maintaining a dynamic and agile organization. Engagement in strategic partnerships from early research to commercialization is a key element in the strategy as well as we will consider potential asset acquisitions if attractive opportunities appear.

Building on more than 17 years' leading-edge scientific expertise and today's strong in-house capabilities, we are excited about our journey to invent and bring new and better medicines to patients.

Prospects for 2016 point to another great year with potential of considerable revenue growth

We have had a strong beginning of 2016. Dosing of patients was initiated in two Phase II trials with ZP4207 for better hypoglycemia management in diabetes and with ZP1848 for treatment of short bowel syndrome, respectively. For danegaptide, the readout of Phase II unfortunately showed no effect against cardiac reperfusion injuries.

As a key milestone in February, FDA accepted LixiLan for priority review, and we are now awaiting regulatory decisions on both lixisenatide and LixiLan this year in July and August, respectively. This leaves hope that two medicines based on a Zealand invention will be available for US diabetes patients in 2016 – with prospects of considerable revenue growth for our company in the years to come.
The increased level of late stage clinical development activities leads to higher operating expenses. This is reflected in our 2016 financial guidance and will be financed via our solid cash position and expected revenue growth from both milestone payments and royalties.

I am proud to conclude, that we have built a strong foundation and kicked-off a very exciting journey for accelerated growth and continued success. We have a strong scientific platform, a high-value portfolio of out-licensed products and a growing proprietary pipeline, which I am confident will create significant value for both patients and shareholders in the coming years. Also, we more than doubled our number of shareholders, and I would like to deeply thank everybody for the strong confidence in our company.

Our diligent growth strategy has four elements

1. *We will build a proprietary portfolio, taking select medicines through registration with full ownership retained*

2. *We will focus on specialty disease areas of high relevance for peptide medicines*

3. *We will strengthen our leading position in therapeutic peptide R&D while maintaining a dynamic organization with both in-house and external innovation*

4. *We will accelerate growth via strategic partnerships and reduce focus on full out-licensing*

Britt Meelby Jensen
President and
Chief Executive Officer

Zealand's strategy.

Building on Zealand's position of strength, in November 2015, management launched a diligent growth strategy for accelerated value creation. The strategy is labelled "From peptide to patient" and consists of four main elements.

Build a portfolio of proprietary medicines

As a key element in our strategy, we will take a growing number of existing and new investigational medicines further in development ourselves – and in select specialty disease areas, all the way through registration and to launch for patients. By keeping the ownership of commercial rights to our products, we will retain the full value creation and control. For our out-licensed products, we generate milestone revenue and high-single to low-double digit percentages in sales royalties, which is vital to fund our growth strategy.
Over time proprietary medicines will provide higher revenue shares, determined by the go-to-market model.

Focus on specialty disease areas

We will build on over 17 years' experience in optimizing the therapeutic benefits of peptides and we focus on carefully selected specialty disease areas, where peptide-based medicines have high relevance. More specifically, we pay attention to four different parameters:

1) the patient population is well-defined;
2) there is a clear unmet medical need to be fulfilled by better medicines;
3) the relevant group of health care providers is distinct and addressable; and
4) the clinical development path through to registration is considered manageable to Zealand in size and complexity.

Enhance our peptide expertise and maintain a dynamic R&D organization

Zealand has an established and validated leading-edge expertise in design and development of peptide-based medicines. We continue to invest in enhancing and expanding our competencies, and combine internal scientific innovation with externally sourced projects to expand both our preclinical and early-stage clinical pipeline.

It is essential for our continued success that we maintain a dynamic and agile organization, to be able to act fast on new opportunities.
As we grow our pipeline, we will stepwise build critical competencies in-house and supplement these with external expertise.

Accelerate growth via strategic partnerships

We aim to grow the value of our proprietary pipeline while maintaining a dynamic and agile organizational model. We will increasingly engage in strategic partnerships and leverage strategic collaborations across the value chain, i.e. from early research to commercialization, with academia, biotech and pharma companies, as well as clinical centers and commercialization partners.

We have a couple of existing projects that are better suited for out-licensing, but overall, the past focus on pure out-licensing will be reduced as the proprietary portfolio of specialty medicines grows.

Key Performance Indicators.

Every year, Zealand defines Key Performance Indicators (KPIs) to measure its performance towards continued success of the company. These are a combination of financial, pipeline and organizational objectives. For 2016, our KPIs reflect our new strategic direction.

2015: Zealand performed strongly on all KPIs defined for the year

1. Advance and grow our portfolio of medicines for the benefit of patients

There were substantial advancements in both the out-licensed and proprietary portfolio (the latter covered below), with successful progress to the next phase on four of the five out-licensed projects:

- Lixisenatide and LixiLan (both Type 2 diabetes) were submitted for US regulatory approvals, including the decision by Sanofi to redeem a priority review voucher for LixiLan
- Elsiglutide (chemotherapy induced diarrhea) was advanced into Phase IIb by Helsinn
- A lead product candidate (diabetes/obesity) was selected and entered preclinical development under the Boehringer Ingelheim collaboration.

2. Increase the proprietary part of the pipeline

During 2015, the proprietary portfolio was expanded with two new medicines in clinical development:

- Start and completion of a Phase Ib trial with ZP4207 for multiple-dose use (hypoglycemia control)
- Initiation of new Phase II development program for ZP1848 (short bowel syndrome).

3. Grow the portfolio of partnerships

During 2015, the company strategy was redefined with increasing focus on growing our proprietary pipeline. As a consequence, it was decided not to extend the research collaboration with Eli Lilly and instead allocate the related R&D resources to the proprietary preclinical specialty disease activities.

On 1 December 2015, a new Chief Business Officer with broad international experience was appointed to drive Zealand's strategic partnership activities.

4. Generate growing revenues and retain a solid financial position

Royalty revenues in 2015 increased based on Sanofi's growing sales of lixisenatide (Lyxumia®). However, the majority of the total revenues of DKK 188 / EUR 25 million came from milestone payments from Sanofi and Boehringer Ingelheim, which financed a considerable part of our operational costs and helped to retain a solid financial position.

2016: The KPIs for 2016 are set to measure our performance in accordance with the strategy

1. Advance and expand the pipeline of proprietary investigational specialty medicines

The objective is to advance at least two existing proprietary products to the next development phase during 2016 and to expand the proprietary pipeline with at least one new specialty drug candidate; either invented internally or externally sourced.

2. Enhance our leading-edge peptide competencies

The objective is to:

- Engage in new technology or research based collaborations to strengthen or broaden our peptide competencies
- Expand clinical competencies via new collaborations with clinical centers of excellence in specialty disease areas.

3. Enter new strategic partnerships in support of pipeline value creation

In alignment with the updated strategy, Zealand will engage in strategic collaborations across the value chain to increase and accelerate pipeline value creation.

4. Retain a solid financial position with growing revenues

The aim is to secure growing revenue for Zealand, from milestone payments and royalty payments on global sales while retaining a strong cash position.

Our portfolio.

Our portfolio includes several out-licensed products and projects, including one medicine marketed outside the US (Lyxumia®) and two products under regulatory review.

Our strategic focus is to continuously advance our growing pipeline of proprietary investigational medicines, of which four are in clinical development.

All products and projects currently in our portfolio are based on in-house invented therapeutic peptides. In this section, we present an overview of the portfolio and each product in detail.

Photo features Zealand employee: Jens, industrial PhD student in Pharmaceutical Development, working in one of Zealand's laboratories.

Portfolio overview.

Out-licensed products and projects

Five products and projects are under license collaborations: Two with Sanofi, one with Helsinn and two with Boehringer Ingelheim. These include one medicine on the market outside the US, two investigational medicines under US regulatory review, one in clinical development, and two preclinical projects. For all products under license collaborations, Zealand has no financial obligations and is eligible to potential milestone payments of up to a total of DKK 4.8 billion / EUR 652 million and on future sales royalties.

Lyxumia® (lixisenatide) – ex-US Type 2 diabetes

SANOFI

Preclinical › Phase I › Phase II › Phase III › Reg. › **Marketed**

A once-daily prandial GLP-1 receptor agonist for the treatment of Type 2 diabetes developed and commercialized as Lyxumia® by Sanofi in 50 countries outside the US. Lixisenatide significantly lowers blood glucose with a profound effect on prandial or meal-related glucose, making it relevant to use for insulin intensification.

Lixisenatide – US Type 2 diabetes

SANOFI

Preclinical › Phase I › Phase II › Phase III › **Under regulatory review**

Lixisenatide was filed by Sanofi for regulatory approval in the US in July 2015. The FDA accepted the file in September and regulatory review is ongoing with a decision expected in July 2016.

Lixisenatide/insulin glargine fixed-ratio combination Type 2 diabetes

SANOFI

Preclinical › Phase I › Phase II › Phase III › **Under regulatory review**

An investigational single-injection combination of lixisenatide and insulin glargine, referred to as LixiLan. Phase III successfully completed showing significant HbA1c reduction over both Lantus® alone and lixisenatide alone. Under regulatory priority review in the US with FDA decision expected in August 2016. EU filing expected in March 2016.

Elsiglutide Chemotherapy induced diarrhea

HELSINN

Preclinical › Phase I › **Phase II**

A novel GLP-2 receptor agonist licensed to Helsinn in Cancer Supportive Care. In Phase IIb development by Helsinn. The enrollment of approximately 500 patients with colon cancer has been completed. Results expected in H2 2016.

Glucagon/GLP-1 dual agonists Diabetes/obesity

Boehringer Ingelheim

Preclinical

Global license collaboration with Boehringer Ingelheim for the treatment of diabetes and/or obesity. In February 2016, Boehringer selected a new once-weekly lead product candidate for advancement into preclinical development.

Undisclosed target Cardio-metabolic disease

Boehringer Ingelheim

Preclinical

Global license collaboration with Boehringer Ingelheim in the field of cardio-metabolic diseases. In September 2015, Boehringer selected a lead product candidate which has been advanced into preclinical development.

Proprietary pipeline

We have a growing number of novel proprietary investigational medicines in development, which all stem from our profound expertise in peptide therapeutics. It is our strategic focus to continue to expand and advance our proprietary pipeline targeting unmet medical needs in specialty disease areas.
We have four products in clinical development and several preclinical projects.

ZP4207 (Single-dose) Rescue treatment for acute, severe hypoglycemia

Preclinical → **Phase I** → **Phase II**

A novel glucagon analogue with high stability in liquid formulation, intended for use as a convenient ready-to-use rescue pen for acute, severe hypoglycemia. Phase I results have demonstrated good safety and tolerability of ZP4207 after single-dosing in healthy volunteers and Type 1 diabetes patients. In February 2016, Zealand initiated patient dosing in a Phase II trial, expected to complete in H2 2016.

ZP1848 Short bowel syndrome

Preclinical → **Phase I** → **Phase II**

A long-acting GLP-2 analogue with high stability in liquid formulation. In February 2016, the first patients were dosed in a clinical Phase II trial expected with enrollment of 18 patients with short bowel disease. Clinical update on enrollment and timeline for completion in Q4 2016.

ZP4207 (Multiple-dose) Component in artificial pancreas for hypoglycemia management in diabetes

Preclinical → **Phase I** → **In preparation for next clinical Phase**

A multiple-dose version of our stable glucagon analogue in development as hypoglycemia component of a dual-hormone artificial pancreas system for better management of insulin dependent diabetes. Phase Ib results showed good safety and tolerability of the product and its ability to provide a clinically relevant blood glucose response after repeat daily dosing in healthy subjects.

ZP2929 Diabetes/obesity

Preclinical → **Phase I**

A once-daily dual acting glucagon/GLP-1 receptor agonist for subcutaneous administration. ZP2929 is in Phase I clinical development as a potential new treatment for patients with Type 2 diabetes and/or obesity. Additional preclinical data provided for discussion with the FDA.

Several peptide projects & indications

Preclinical

Our proprietary preclinical pipeline comprises of several projects. Those disclosed include a novel GIP receptor agonist, a GLP-1-gastrin dual agonist, a GLP-1-GIP receptor dual agonist, which all represent potentially more efficacious approaches for treatment of diabetes and/or obesity. We also have a dual-acting GLP-1/GLP-2 receptor agonist in preclinical development.

2015 achievements.

Out-licensed products and projects

Lixisenatide (Lyxumia®) – Sanofi	**H1**	✓ Positive results from the ELIXA cardiovascular (CV) safety outcomes trial presented as key note at ADA, demonstrating lixisenatide to be safe on all CV parameters ✓ Positive results from GetGoal Duo-2 trial presented at ADA, showing advantages of lixisenatide versus rapid-acting insulin as add-on to Lantus® for insulin intensification ✓ Submission of a New Drug Application to the FDA for regulatory approval in the US (by Sanofi)
	H2	✓ FDA acceptance of Sanofi's New Drug Application and initiation of the regulatory review process ✓ Full year royalty revenue of DKK 29 / EUR 4 million
Fixed-ratio combination of lixisenatide and insulin glargine (Lantus®) – Sanofi	**H2**	✓ Positive outcome of the first pivotal Phase III trial, LixiLan-O, meeting the primary endpoint ✓ Positive outcome of the second pivotal Phase III trial, LixiLan-L, meeting the primary endpoint ✓ Submission of a New Drug Application to the FDA for regulatory priority review in the US (by Sanofi) with a DKK 137 / USD 20 million milestone payment to Zealand
Elsiglutide – Helsinn	**H1**	✓ Initiation of Phase IIb dose-finding trial by Helsinn in up to 480 patients with colorectal cancer ✓ Enrollment of app. 1,700 patients with colorectal or breast cancer completed in observational study by Helsinn to analyze the incidence and severity of chemotherapy induced diarrhea in Europe and the US
Boehringer Ingelheim collaborations	**H2**	✓ 2nd license collaboration – Undisclosed target for diabetes/obesity: Selection of a novel lead peptide therapeutic for advancement into preclinical development (by Boehringer Ingelheim) and a DKK 22 / EUR 3 million milestone payment to Zealand.

Proprietary pipeline

Danegaptide	**H2**	✓ Completion of enrollment (585 patients with an acute myocardial infarction (STEMI)) in Phase II Proof-of-Concept trial
ZP4207 Single-dose	**H1**	✓ Positive results from Phase I trial
ZP1848	**H2**	✓ Advancement of ZP1848, a novel long-acting GLP-2 analogue, into clinical Phase II development for short bowel syndrome
ZP4207 Multiple-dose	**H1**	✓ Advancement into clinical Phase Ib multiple ascending dose trial backed by a DKK 12 / USD 1.8 million grant from Helmsley Charitable Trust
	H2	✓ Positive results from the Phase Ib trial, showing ZP4207 to be safe and well tolerated after multiple dosing
ZP2929	**H2**	✓ Completion of additional supportive preclinical studies
Preclinical proprietary projects	**H1**	✓ Presentation of preclinical data on novel GLP-1/GIP dual agonist, showing support for its potential as a novel treatment for Type 2 diabetes/obesity ✓ Presentation of preclinical data on novel GLP-1-gastrin dual agonist, showing the ability of the compound to increase beta-cell mass and improve glycemic control in diabetes models

Other

	H1	✓ New management team and enhancement of international Board competencies
	H2	✓ Presentation of growth strategy, labelled "From peptide to patient" for accelerated value creation ✓ Appointment of new Chief Business Officer

2016 achievements and news outlook.

Out-licensed products and projects

Lixisenatide (Lyxumia®) – Sanofi	**H1**	• Quarterly royalty reports and status updates
	H2	• Quarterly royalty reports and status updates • US regulatory decision by the FDA (July)
Fixed-ratio combination of lixisenatide and insulin glargine (Lantus®) – Sanofi	**H1**	✓ FDA acceptance of Sanofi's New Drug Application for priority review in the US • Submission for regulatory approval in Europe (by Sanofi) • Presentation of results from the two Phase III trials, LixiLan-O and LixiLan-L, at a medical conference
	H2	• US regulatory decision by the FDA (August)
Elsiglutide – Helsinn	**H1**	✓ Confirmed completion of enrollment in Phase IIb with approximately 500 patients enrolled
	H2	• Top-line results from Phase IIb dose-finding trial • Publication of results from observational study of chemotherapy induced diarrhea in the EU and US
Boehringer Ingelheim collaboration	**H1**	✓ 1st license collaboration – Glucagon/GLP-1 dual agonists for diabetes/obesity: Selection of a novel once-weekly lead peptide therapeutic candidate for advancement into preclinical development

Proprietary pipeline

Danegaptide	**H1**	✓ Results from Phase II Proof-of-Concept trial
ZP4207 Single-dose	**H1**	✓ Initiation and dosing of the first patients with Type 1 diabetes in clinical Phase II trial
	H2	• Top-line results from clinical Phase II trial
ZP1848	**H1**	✓ Dosing of the first patients with short bowel syndrome in Phase II trial
	H2	• Update on patient enrollment and timelines for study completion
ZP4207 Multiple-dose	**H2**	• Advance into next stage of clinical development for use as component in a dual-hormone artificial pancreas device for better glucose management in diabetes
ZP2929	**H1**	• Decision on next clinical step – engagement with the FDA
Preclinical proprietary projects	**H1**	✓ Collaboration with BioSolveIT to create unique therapeutic peptide design software • Presentations of new data on proprietary preclinical peptide therapeutics at medical conference
	H2	• Presentations of new data on preclinical peptide therapeutics at medical conference

Other

	H1	✓ Appointment of new Chief Science Officer

Out-licensed portfolio.

Five products and projects are under license collaborations with Sanofi, Helsinn and Boehringer Ingelheim. These include lixisenatide, which is marketed as Lyxumia® outside the US and is part of two regulatory filings in the US, plus one product in clinical development and two preclinical projects.

On the out-licensed portfolio, Zealand has no financial obligations and is eligible to remaining potential milestone payments of up to a total of DKK 4.8 billion / EUR 652 million and on future sales royalties.

Photo features Zealand employee: Jens from Business Development working on both in-licensing and out-licensing opportunities.

Lixisenatide – Type 2 diabetes.

Lixisenatide – First Zealand invented medicine on the market
Lixisenatide is a once-daily GLP-1 receptor agonist, invented by Zealand for the treatment of Type 2 diabetes. Lixisenatide is licensed globally to Sanofi (EURONEXT: SAN) who has developed the product both as a stand-alone medicine and as part of a fixed-ratio combination product with insulin glargine (Lantus®), refered to as LixiLan. Lixisenatide was launched in 2013 outside the US under the name Lyxumia®. Both lixisenatide and the combination product are under regulatory review in the US and with regulatory decisions expected in July and August, respectively.

Type 2 diabetes – A serious chronic disease
Type 2 diabetes is a metabolic disorder with hyperglycemia (high blood sugar levels) resulting from inadequate insulin secretion or insulin resistance. It is the most common form of diabetes as it represents 90% of all cases. It is estimated that over 500 million people worldwide are affected by diabetes, with management costs exceeding USD 600 billion annually.

Key to effective management of Type 2 diabetes is to control hyperglycemia. Diabetes is associated with a significantly increased risk of heart disease and stroke, limb amputations, blindness and kidney failure – and is projected to be the 7th leading cause of death in 2030.

What is GLP-1?
Glucagon-like peptide 1 (GLP-1) is a native peptide hormone produced in the human body by intestinal L-cells in response to meal intake. The main actions of GLP-1 are to stimulate insulin secretion and regulate appetite and food intake.

GLP-1 receptor agonists for the treatment of Type 2 diabetes
GLP-1 receptor agonists are a new class of injected medicines for the treatment of Type 2 diabetes. They mimic the action of GLP-1 and stimulate the release of insulin only upon ingestion and with additional effects on slowing gastric emptying and inducing satiety with beneficial impact on weight. In clinical practice, GLP-1 therapy is associated with significant HbA1c (blood sugar) lowering, weight loss and a low risk of hypoglycemia.

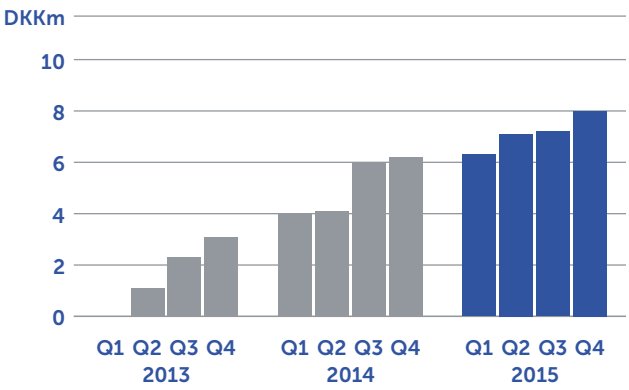
Invented by Zealand

ZEAL&

Global rights licensed to Sanofi

SANOFI

Lixisenatide (Lyxumia®) royalty revenue 2013-2015



The US market represents ~70% of the total market for GLP-1 medicines. With US regulatory decisions on both lixisenatide and the lixisenatide/Lantus® combination product expected in 2016, royalty revenue is projected to increase significantly.

License collaboration with Sanofi – Terms of agreement:
Sanofi has the global development and commercialization rights to lixisenatide and any combination product including lixisenatide. All financing of products under the agreement is covered by Sanofi.

Zealand is eligible to total milestones of up to USD 275 million (of which up to USD 140 million are outstanding). In terms of royalties on global sales, Zealand is entitled to tiered low double-digit percentages on lixisenatide and a fixed, low double-digit percentage on sales of LixiLan and any other combination including lixisenatide.

Lixisenatide (Lyxumia®).

SANOFI

First Zealand invented medicine on the market – A once-daily GLP-1 agonist with a pronounced prandial effect

Lixisenatide belongs to a sub-class of GLP-1 receptor agonists with a short acting profile. The medicine has demonstrated a pronounced lowering effect on meal-related blood sugar increase (post-prandial glucose) in addition to its effect on fasting glucose. With this profile, lixisenatide has particular therapeutic relevance as an add-on treatment to basal insulin for better glucose management.

Advancements in 2015 and 2016 (until 16 March)

- Launched by Sanofi in more than 50 countries (Lyxumia®)
- Total Sanofi sales of Lyxumia® in 2015: EUR 38 million
- Key supportive safety (cardiovascular) and efficacy (insulin intensification) results presented at ADA
- September 2015: FDA accepted Sanofi's NDA for lixisenatide in the US.

Lixisenatide's therapeutic profile

- Significantly lowers HbA1c
- Reduces body weight
- Associated with a low risk of hypoglycemia
- Slows gastric emptying with pronounced lowering of post prandial glucose (PPG)

Lixisenatide is administered as a once-daily injection. For the first two weeks after initiation of treatment with 10 mgr. per day, thereafter with a maintenance dose of 20 mgr. per day.

In 2015: Additional strong support for lixisenatide's therapeutic profile

ELIXA results – Cardiovascular safety profile established

Top-line results from ELIXA, a Cardiovascular Safety Outcome Trial, have demonstrated lixisenatide to be safe versus placebo on all cardiovascular safety parameters in a high-risk population of more than 6,000 adults with Type 2 diabetes.

Results from GetGoal Duo-2

In a Phase IIIb trial, lixisenatide has shown to have a similar effect on glucose reduction with advantages on body weight compared to rapid-acting insulin, when added to basal insulin for treatment intensification in patients with Type 2 diabetes.

Effective diabetes management: Both fasting and prandial (meal-related) glucose levels must be controlled

HbA1c is a measure of average 2-3 months plasma glucose (sugar) levels. To effectively control diabetes, an HbA1c target value of <7% or even <6.5% is recommended. It is important also to keep glucose fluctuations to a minimum, which means to effectively control both fasting plasma glucose (FPG) and postprandial (meal-related) plasma glucose (PPG). So, the following applies: effective HbA1c control=effective FPG control & effective PPG control.

Trademarks for lixisenatide

Lyxumia® is the trademark approved for lixisenatide outside the US.
In the US, no trademark has yet been approved.

2016 – Next steps and news flow outlook

- July: US regulatory decision by the FDA on lixisenatide
- Expected increase in royalty revenue from Sanofi's sales of lixisenatide (Lyxumia®) outside the US

Fixed-ratio combination of lixisenatide and insulin glargine (Lantus®).

Preclinical | Phase I | Phase II | Phase III | **Under regulatory review**

SANOFI

New combination drug for Type 2 diabetes: Fixed-ratio combination of lixisenatide and insulin glargine (LixiLan)
Lixisenatide has been developed by Sanofi as part of a fixed-ratio, single-injection combination with insulin glargine 100 Units/mL (Lantus®). Lantus® is a Sanofi product and the most prescribed basal insulin worldwide. The therapeutic relevance of a combination treatment with basal insulin and a GLP-1 receptor agonist for patients with Type 2 diabetes has been shown in several clinical trials.

Advancements in 2015 and 2016 (until 16 March)

- The primary endpoints were met in two pivotal Phase III trials, LixiLan-O and LixiLan-L, showing significant HbA1c lowering
- December 2015: Sanofi submitted an NDA for regulatory review of the combination product in the US and redeemed a Priority Review Voucher as part of the submission
- The NDA for the combination product was associated with a USD 20 million milestone payment from Sanofi to Zealand
- February 2016: FDA accepted the NDA for priority review, shortening the regulatory review time for the combination product from ten months to six months.

Positive results from two pivotal Phase III trials

LixiLan-O
Enrollment: 1,170 patients with Type 2 diabetes insufficiently controlled on oral medication (OAD).

Results: LixiLan met the primary efficacy endpoint of showing a statistically superior lowering of average blood glucose (HbA1c) compared with lixisenatide, and compared with insulin glargine (Lantus®) in Type 2 diabetes patients treated with metformin.

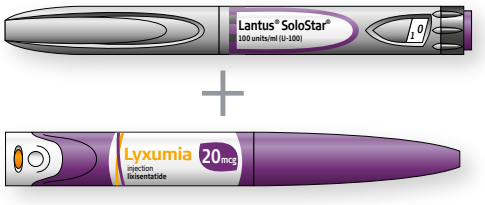
Relevant Type 2 diabetes populations to target:
In the US, ~5.5 million are not well controlled on OADs*

LixiLan-L
Enrollment: 736 patients with Type 2 diabetes insufficiently controlled on basal insulin (insulin glargine (Lantus®)).

Results: LixiLan met the primary efficacy endpoint of showing a statistically superior lowering of average blood glucose (HbA1c) in Type 2 diabetes patients insufficiently controlled with insulin glargine (Lantus®) alone with or without metformin.

Relevant Type 2 diabetes populations to target:
In the US, ~4 million are not well controlled on basal insulin*

** Source: 2017 projections based on model from Adelphi*



2016 – Next steps and news flow outlook

- March: Submission for regulatory approval in the EU
- June: Sanofi will present results from the two Phase III trials at a medical congress
- August: US regulatory decision by the FDA on the fixed-ratio combination of lixisenatide and insulin glargine (Lantus®) in the US

Elsiglutide.

Preclinical | Phase I | Phase II

HELSINN

Elsiglutide, a potential first-ever treatment for the prevention of chemotherapy induced diarrhea
Elsiglutide is a novel GLP-2 analogue invented by Zealand. Global development and commercial rights in the field of cancer supportive care are licensed to Helsinn, who is developing elsiglutide as a potential first ever treatment to help prevent chemotherapy induced diarrhea in cancer patients.

Advancements in 2015 and 2016 (until 16 March)
- In February 2015, Helsinn initiated dosing of patients in a Phase IIb dose-finding trial
- In June 2015, Helsinn completed the enrollment of approximately 1,700 cancer patients in an observational study of chemotherapy induced diarrhea
- In February 2016, Helsinn completed the enrollment of approximately 500 patients in the Phase IIb trial.

Chemotherapy induced diarrhea (CID)
CID is a severe and potentially life-threatening condition affecting cancer patients undergoing chemotherapy primarily with regimens containing 5-fluorouracil (5-FU). The condition is associated with:
- Dehydration and electrolyte imbalance
- Renal insufficiency and immune dysfunction
- Hospitalization and reduced quality of life
- Sub-optimal cancer treatment

5-FU based chemotherapy regimens can result in up to 50-80% of cancer patients developing CID*. Today, no effective treatments are available for patients.

** Source: Stein, Voigt and Jordan, Ther. Adv. Med. Oncol. 2010*

Terms of the license agreement with Helsinn
Helsinn has global development and commercial rights to elsiglutide for its use in Cancer Supportive Care. Zealand is eligible to milestone payments of up to EUR 140 million (of which EUR 16 million have been received) on elsiglutide and to royalties on global sales of the product. Zealand retains an option to obtain commercial rights to elsiglutide in the Nordic countries.
Helsinn (www.helsinn.com)is a privately owned pharmaceutical group with an extensive portfolio of marketed products and a broad development pipeline.

Phase IIb trial – Enrollment has been completed
A randomized, double-blind, placebo-controlled trial to assess the effect of elsiglutide in the prevention of CID. The trial has enrolled approximately 500 colorectal cancer patients receiving 5-FU based chemotherapy regimens (FOLFOX or FOLFIRI), randomized to treatment with one of three doses of elsiglutide (10 mg, 20 mg. and 40 mg.) or placebo. The primary endpoint is the proportion of patients with diarrhea of grade ≥2 during the first cycle of chemotherapy. Topline results are expected in H2 2016.

For further details on the Phase IIb trial, see: **ClinicalTrials.gov – Identifier: NCT02383810**.

Large observational study in CID conducted by Helsinn
Helsinn has conducted a large international, multi-center, prospective, cohort observational study involving more than a hundred sites in six European countries and in the US. The study objective is to gain a better understanding of the incidence rate and clinical impact of CID in colorectal and breast cancer patients. Together with the results from the Phase IIb trial, this study is important to guide the design of a potential pivotal Phase III program for elsiglutide.

Elsiglutide – Supportive preclinical and clinical results
Results from Phase IIa trials have shown that elsiglutide reduces the severity of CID in colorectal cancer patients and has a good safety profile. In preclinical models, elsiglutide has shown to stimulate growth of the intestinal mucosa and decrease the incidence and severity of CID.

2016 – Next steps and news flow outlook
- H2: Top-line results from Phase IIb dose-finding trial
- H2: Results from observational study of CID incidence and severity in 1,700 patients

Boehringer Ingelheim collaborations.

Preclinical

Preclinical

Boehringer Ingelheim

Two license collaborations ongoing with Boehringer Ingelheim for the treatment of diabetes and/or obesity
Zealand has two collaborations ongoing with Boehringer Ingelheim, each covering novel therapeutic peptides invented by Zealand for the treatment of Type 2 diabetes and/or obesity. Under both collaborations, Boehringer Ingelheim is progressing a selected lead development candidate in preclinical development for the potential advancement into clinical development.

Advancements in 2015 and 2016 (until 16 March)
- Collaboration on undisclosed target (obesity/diabetes): In October 2015, Boehringer Ingelheim selected a novel lead peptide therapeutic for preclinical development with an associated DKK 22 / EUR 3 million milestone payment to Zealand.
- Collaboration on glucagon/GLP-1 dual agonists (diabetes/obesity): In February 2016, Boehringer Ingelheim selected a novel lead glucagon/GLP-1 peptide therapeutic for preclinical development.

Collaboration on glucagon/GLP-1 dual agonists (diabetes/obesity)
This collaboration covers the development and commercialization of novel dual acting glucagon/GLP-1 peptide agonists for the treatment of Type 2 diabetes and/or obesity.

In February 2016, Boehringer Ingelheim selected a new lead development candidate from the portfolio of novel glucagon/GLP-1 dual agonists designed by Zealand under a former research part of the collaboration. This new lead candidate has now been progressed into preclinical development by Boehringer Ingelheim.

Terms of the agreement on glucagon/GLP-1 dual agonists
Boehringer Ingelheim retains global development and commercialization rights to all compounds covered by the agreement, while being solely responsible for all development, manufacturing and commercial activities including the necessary financing.

Zealand is eligible to milestone payments of up to EUR 376 million (up to EUR 365 million are outstanding) related to the achievement of pre-specified development, regulatory and commercial milestones for the first product, and to tiered royalties ranging from high single to low double digit percentages on global sales of products developed and commercialized under the agreement. Zealand also retains co-commercialization rights in the Scandinavian countries.

2016 – Next steps and news flow outlook
- Advancement towards clinical Phase I development

Collaboration on undisclosed target (obesity/diabetes)
This collaboration was initiated in July 2014 based on a novel therapeutic peptide project from Zealand's preclinical portfolio. Under the collaboration, Zealand and Boehringer Ingelheim have jointly designed and developed novel therapeutic peptides for the improved treatment of patients with cardio-metabolic diseases, specifically in the field of obesity and diabetes. The biological target has not been disclosed.

With the selection of a first preclinical development candidate in October 2015, Boehringer Ingelheim became sole responsible for the conduct and financing of the preclinical and potentially clinical development as well as commercialization. The lead candidate is being progressed through preclinical development.

Terms of the agreement on an undisclosed target
Boehringer Ingelheim retains global development and commercialization rights to all compounds invented and covered under the agreement, while being solely responsible for all development, manufacturing and commercial activities including the necessary financing.

Zealand is eligible to milestone payments of up to EUR 295 million (up to EUR 287 million are outstanding) related to the achievement of pre-specified development, regulatory and commercial milestones for the first lead product. Zealand is also entitled to tiered high single digit percentages on global sales of products developed and commercialized under the agreement, while retaining co-commercialization rights in the Scandinavian countries.

2016 – Next steps and news flow outlook
- Advancement towards clinical Phase I development

Proprietary pipeline.

Zealand has a growing pipeline of novel proprietary investigational medicines in development, focused on the field of specialty diseases:

Two products are in clinical Phase II development, another in preparation for next clinical Phase, one in clinical Phase I and a number of projects are in preclinical development.

Photo features Zealand employee: Anne from Clinical Development working on the Phase II trial of ZP4207

ZP4207 (Stable Glucagon) Hypoglycemia in diabetes.

Hypoglycemia is a challenge for more effective diabetes control

The most feared side effect associated with effective insulin treatment in diabetes

Substantial clinical evidence shows that the fear of hypoglycemia is a serious obstacle for better glucose control in diabetes, as patients often are inclined to take less insulin than prescribed to reduce the risk of hypoglycemia. Inoptimal control of diabetes is associated with serious long-term complications.

Hypoglycemia – When blood glucose levels get too low

Hypoglycemia is a condition where blood glucose (sugar) levels drop to low levels. It is most frequently associated with diabetes and primarily in patients on insulin therapy only. Type-1 diabetes patients are the most likely to experience episodes of hypoglycemia since they inject themselves with insulin several times per day or use an insulin pump. Diabetes patients on insulin can experience episodes of low blood sugar levels with varying frequency and severity.

Symptoms include anxiety, sweating, tremors, palpitations, nausea and pallor. In severe cases, hypoglycemia can lead to loss of consciousness, seizures and coma, and in some cases death.

- In the US alone, 2.9 million diabetes patients are on insulin only therapy[1].
- All patients with Type-1 diabetes and approximately 20% of Type-2 diabetes patients in the US are treated with insulin[2].

Sources: [1] www.diabetesselfmanagement.com/diabetes-resources/tools-tech/insulin-pumps; [2] Decision Resource, 2012.

About glucagon

Glucagon is a native peptide, which plays an important role in the control of blood sugar levels. The effects of glucagon are opposite to those of insulin – it helps to release stored glucose into the blood stream to increase blood sugar levels. The therapeutic use of native glucagon in cases of hypoglycemia is challenging due to the peptide's low solubility and very poor stability in liquid solution.

Two parallel clinical development programs ongoing for ZP4207

ZP4207 is a novel analogue of human glucagon, invented by Zealand. ZP4207 shows superior stability compared to native glucagon, which is unstable in liquid formulation. The features of ZP4207 support its potential use to improve management of hypoglycemia associated with insulin treatment in diabetes patients. Two product routes are pursued in parallel: 1) As a single-dose ready-to-use rescue treatment for severe hypoglycemia and 2) As an essential component in an insulin-glucagon dual hormone artificial pancreas system.

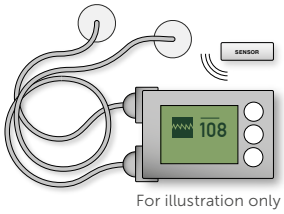
ZP4207 – Rescue treatment

A liquid glucagon, which is readily available for use can provide patients and relatives with a much more convenient product, than what is currently available. In cases of an acute, severe hypoglycemia event, this may lead to a faster treatment.

For illustration only

ZP4207 – As component in an artificial pancreas

An artificial pancreas device could significantly improve glucose control. An artificial pancreas in the form of a dual-hormone (insulin + glucagon) pump has the potential to significantly improve glucose control in diabetes. ZP4207 as the most advanced glucagon available for liquid formulation could provide basis for important advancements in the field.



For illustration only

ZP4207 (single-dose) Rescue treatment.

Preclinical | Phase I | Phase II

ZP4207 – A single-dose ready-to-use rescue treatment for severe hypoglycemia

Zealand is developing its novel, stable glucagon analogue, ZP4207, as a single-dose rescue treatment for acute, severe hypoglycemia. ZP4207 is well suited for liquid formulation and has potential to be offered as a ready-to-use rescue medication to provide diabetes patients and caregivers a more convenient and faster treatment.

Advancements in 2015 and 2016 (until 16 March)

- Phase I completed with positive results showing that ZP4207 is safe and well tolerated in healthy volunteers and patients with Type 1 diabetes
- In February 2016, Zealand dosed the first patients in a Phase II trial.

ZP4207 Phase I results: Good safety and tolerability with the ability to effectively raise glucose levels

Zealand has evaluated ZP4207 in a single-dose Phase I two-part trial comparing ZP4207 to a marketed glucagon. In the trial: 64 healthy volunteers and 20 patients with Type 1 diabetes were enrolled. They were treated with single ascending doses of 0.01 mg to 2.0 mg.

Results showed that ZP4207 is safe and well-tolerated across all doses evaluated. Furthermore, blood glucose levels were increased as expected across a broad dose range. In addition, ZP4207 showed the expected effects in raising blood glucose levels after insulin induced hypoglycemia in Type 1 diabetes patients, similar to the effects of marketed glucagon.

Phase II trial ongoing

In February 2016, Zealand dosed the first patients in a Phase II trial.

The Phase II trial is a single-center, randomized, double-blind trial, which will enroll 56 patients with Type 1 diabetes. The primary trial objective is to evaluate the pharmacokinetics and pharmacodynamics of ZP4207 to be able to fully compare its effect to that of a marketed native glucagon product. Patients in the trial will be randomized to one of four groups and four different single doses of ZP4207 administered subcutaneously after an insulin-induced hypoglycemia event. In the lowest dose group, a parallel design is applied, and in dosing groups 2-4, patients will be dosed with both ZP4207 and a marketed glucagon in a crossover design.

For further details on the Phase II trial, see: **ClinicalTrials.gov – Identifier: NCT02660008**.

Existing glucagon rescue treatments – An underpenetrated market

Current glucagon treatments are solely available in the form of a lyophilized powder, which requires reconstitution with sterile water in a multi-step process before use. In the case of an acute, severe hypoglycemia event, this can lead to handling errors, delayed administration of glucagon and results in sub-optimal treatment.

Due to the complexity of the current glucagon rescue kits many patients do not have a rescue kit with them at all times even though this is recommended by the ADA.

A severe hypoglycemic event – An abnormal drop in blood sugar

Hypoglycemia can happen suddenly. Type 1 and Type 2 diabetes patients on insulin therapy are at risk of hypoglycemia because glucagon is not automatically released to raise blood glucose level.

23% of Type 1 diabetes patients on insulin therapy fear to die of low blood sugar while they are sleeping.[1]

[1] *Survey conducted by YouGov 2013*

Rikke Mikkelsen who has Type 1 diabetes – from the book "Angsten er der jo altid" (The fear is always there):

"It has always been difficult for me to control my blood sugar and it has for example resulted in two car accidents."

2016 – Next steps and news flow outlook

- H2: Results from ongoing clinical Phase II trial

ZP4207 (multiple-dose) Component in artificial pancreas.

Preclinical | Phase I | In preparation for next clinical Phase

ZP4207 for multiple-dose use has potential as an important component in an artificial pancreas

The properties of ZP4207 indicate its relevance for multiple-dose use as a more general treatment to better manage low blood sugar levels, reducing the risk of hypoglycemia in patients with diabetes who are treated with insulin. This could translate into an overall more effective glucose control to avoid long-term complications. We are preparing a multiple-dose version of ZP4207 for advancement into clinical Phase II trials as a potential component in a dual-hormone artificial pancreas system.

Advancements in 2015 and 2016 (until 16 March)

- In 2015, Zealand initiated and succesfully completed a Phase Ib trial of its stable glucagon analogue for multiple-dose use
- A grant of USD 1.8 million from the Helmsley Charitable Trust received to fund initial clinical and pre-clinical activities.

Phase Ib trial design and results – safe and well-tolerated

ZP4207 has been evaluated in a Phase Ib trial. Results have demonstrated that ZP4207 is safe and well-tolerated with the ability to provide a clinically relevant blood glucose response after repeat daily dosing in healthy volunteers.

The Phase Ib clinical trial with ZP4207 was a randomized, double blind and placebo-controlled study to evaluate primarily the safety and tolerability of the compound after multiple dosing. Secondary endpoints measured the pharmacokinetics and pharmacodynamics (blood sugar levels) of ZP4207 after multiple dosing. The trial was conducted at a clinical diabetes center in Germany and 24 healthy volunteers have been enrolled, who has received three different cohorts of daily doses of ZP4207, each over five days.

For further information on the Phase Ib trial, see:
Clinical Trials.gov Identifier: NCT02390141

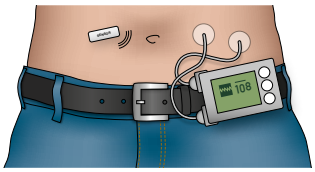
Current treatments and the potential of an artificial pancreas

Currently, patients with Type 1 diabetes manually measure levels of glucose in their blood by either using the traditional method of pricking one's finger, or by using a continuous glucose monitor (CGM). Based on these measurements, they must adjust glucose levels by taking multiple injections of insulin daily or by continually infusing insulin with a pump via needles placed under the skin. This requires diligence and a tremendous amount of manual effort by the user.

By automating detection of blood sugar levels and delivery of insulin in response to those levels, an artificial pancreas has the potential to transform the lives of people with type 1 diabetes. Zealand is part of the Artificial Pancreas Project driven forward by JDRF (Juvenile Diabetes Research Foundation).

Professor, MD, Ph.D Kirsten Nørgaard, University Hospital of Hvidovre:

"Insulin pumps improve glucose control and reduce the risk of hypoglycemia. An important next step for better diabetes treatment would be the introduction of fully automated dual-hormone pumps providing both insulin and glucagon."



For illustration only

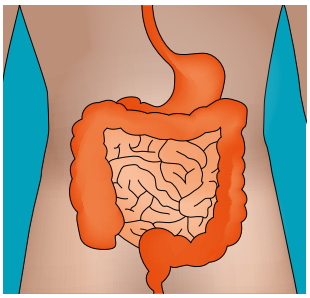
2016 – Next steps and news flow outlook

- H2: Advancement into the next clinical Phase to explore the use of ZP4207 in a dual-hormone artificial pancreas system.

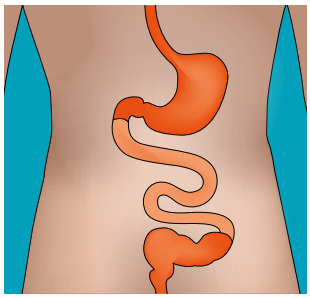
ZP1848
Short bowel syndrome (SBS).

SBS is a growing disease area of high unmet medical needs
Short bowel syndrome (SBS) is a serious and complex chronic disease associated with severely reduced or complete loss of intestinal function. The main underlying causes of SBS are Crohn's disease, ischemia, radiation damage and colon cancer, which often result in surgical removal of smaller or larger parts of the small intestine and colon. Reduced intestinal function can also occur as a result of bowel damage.

Short bowel syndrome is a specialty disease area of increasing awareness. This is the result of improved treatment of the underlying causes combined with the increasing availability of nutritional support to help patients with SBS.



Healthy person



Patient with short bowel syndrome

Short bowel syndrome – Treatment options
Depending on the severity of the disease the following treatment options for patients with SBS are available:

- Increased food intake
- Parenteral (intravenous) nutrition from a catheter in up to 16 hours a day
- Teduglutide (Gattex®), a short-acting GLP-2 analogue*

Serious challenges for SBS patients:

- Lack of ability to retain a proper fluid and nutritional balance
- Dependency on nutritional support, in the most severe cases parenterally administered via central catheter
- Enormous fecal (often via stoma) and urinary output
- Severe co-morbidities in the form of malnutrition, liver and kidney damage and infections
- Hospitalization and severely reduced quality of life

SBS prevalence is increasing due to higher awareness and improving care:
EU = ~10,000-20,000 patients[1]
US = ~10,000-20,000 patients[2]

** Annual cost of USD 410,000 per patient in the US.*

Sources: [1] *Jeppesen PB. J Parenter Enteral Nutr. 2014;38 (suppl 1): 8S-13S.*
[2] *Byrne TA, et al. Ann Surg. 1995;222(3): 243-255*

GLP-2 is an important intestinal hormone
GLP-2 (glucagon like peptide 2) is a naturally occurring peptide hormone produced primarily by the small intestine. It is secreted together with GLP-1 in response to food ingestion and acts by binding to the GLP-2 receptor, which is predominantly found in the gastrointestinal tract. GLP-2 plays a key role in intestinal growth and formation by promoting regeneration of the epithelial surface of the gut and thus is an obvious therapeutic target in the field of gastrointestinal diseases.

Patient with short bowels syndrome:

"It has turned our life upside down. We can't travel, or plan anything. We don't go out, we invite in, on our terms. You can't live a normal life."

ZP1848.

Preclinical | Phase I | Phase II

ZP1848 – An attractive treatment for short bowel syndrome (SBS)

ZP1848 is a novel, long-acting GLP-2 analogue with a unique stability profile in liquid formulation, which is invented and fully owned by Zealand. ZP1848 can be administered in a ready-to-use/pen device which will give patients an easy-to-use treatment for SBS. Many patients are dependent on several hours of parental nutrition per day, and we are truly excited about the potential of releasing these patients of their burden. ZP1848 can potentially improve patients' quality of life by reducing time on infusion and reduce number of days on parenteral nutrition.

Advancements in 2015 and 2016 (until 16 March)

- In September 2015, Zealand advanced ZP1848 into clinical Phase II development
- In February 2016, the first patients with SBS were dosed in a clinical Phase II Proof-of-Concept trial

ZP1848 has attractive therapeutic potential for SBS

In preclinical studies, ZP1848 has shown efficacy on small intestine growth and demonstrated the physico-chemical properties of a long-acting, stable and soluble peptide therapeutic with the potential for convenient administration in liquid formulation.

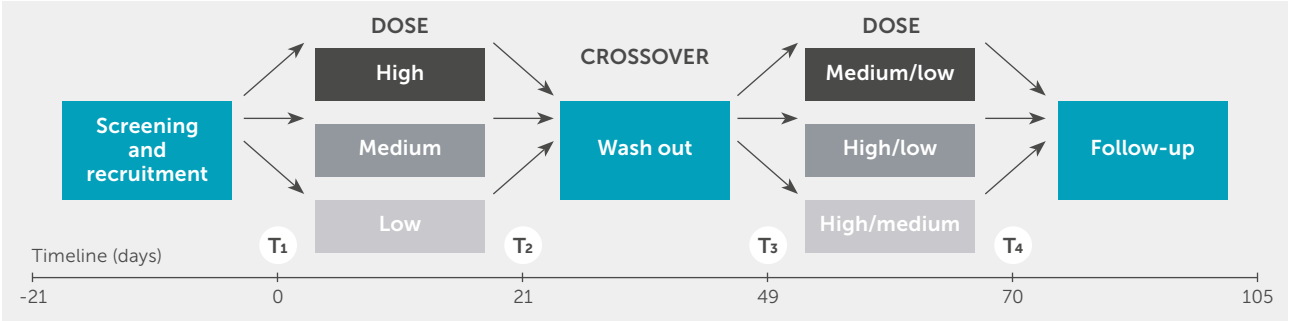
Zealand has also investigated ZP1848 in a combined single (SAD) and multiple (MAD) ascending dose Phase I trial. Results from this trial demonstrated that ZP1848 is safe and well-tolerated with a supportive effect on bowel function.

Clinical Phase II trial design and primary objective

In February 2016, Zealand dosed the first patients in the Phase II Proof-of-Concept trial with ZP1848. It is a randomized, double-blind, dose-finding trial to investigate the clinical efficacy and safety of the compound in the treatment of SBS. The trial is conducted at the world-leading gastrointestinal center at the University Hospital of Copenhagen (Rigshospitalet), Denmark, and will enroll 18 patients with SBS.

The primary objective of the trial is to assess the effect of ZP1848 on improving patients' intestinal absorption capacity measured as reduction in fecal wet weight output.
For further information on the Phase II trial, see:
ClinicalTrials.gov Identifier: NCT02690025

Phase II trial design: Double-blind, Proof-of-Concept, dose-finding trial (18 patients)



Thomas Breuer, Clinical Trial Manager at Zealand:

"Our Phase II trial is uniquely designed to provide clinical support for ZP1848 as a potential new therapy and generate data to also better understand the disease and patients' needs."

2016 – Next steps and news flow outlook

- In 2016, further development updates on the advancements of Phase II trial will be announced
- Results from the Phase II trial are expected in 2017

ZP2929
Glucagon/GLP-1 dual agonist.

Preclinical → **Phase I**

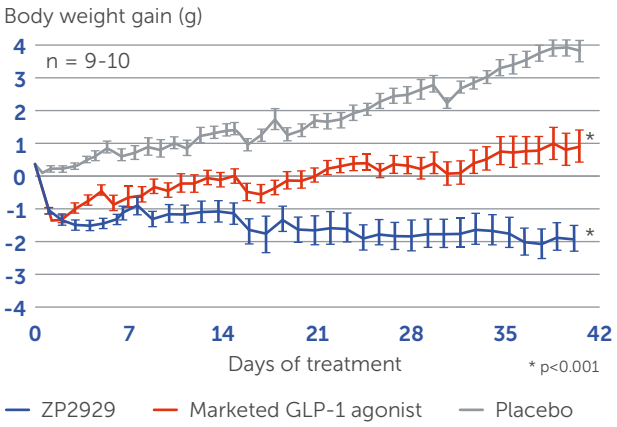
ZP2929 – A once-daily dual acting glucagon/GLP-1 peptide receptor agonist

ZP2929 is a once-daily dual acting glucagon/GLP-1 peptide receptor agonist, invented by Zealand. ZP2929 is in Phase I clinical development as a potential new treatment for patients with Type 2 diabetes and/or obesity.

ZP2929 acts with high potency on both the glucagon and the GLP-1 (glucagon-like peptide-1) receptors. In preclinical studies, ZP2929 has shown the ability to improve glycemic control while causing a significant and sustained weight loss.

Preclinical results

Obesity model (DIO mice)



Diabetes model (db/db mice)

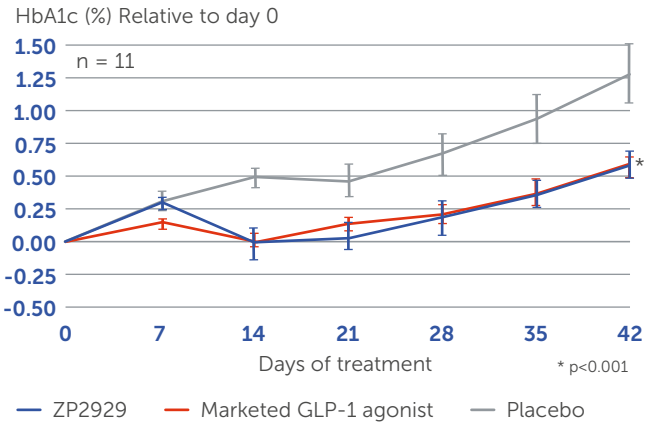


Photo features Zealand employee: Kennet from Molecular Pharmacology working in one of Zealand's laboratories.

ZP2929: Additional data for FDA review

ZP2929 has been evaluated in the first part of a single-dose Phase I trial in healthy volunteers with no safety issues. Subsequently, the FDA has raised concerns regarding findings in a preclinical study and requested additional data to support ZP2929's profile before accepting further clinical evaluation. We have been in an ongoing dialogue with the FDA to agree on what additional preclinical data to provide, and this data is currently being generated.

2016 – next steps and news flow outlook

- H1: Submission of additional preclinical data to the FDA.

Preclinical proprietary projects.

Several late-stage preclinical projects

Our proprietary pipeline comprises several therapeutic peptides in preclinical development. Of these, the most advanced primarily target diabetes and obesity, while earlier projects focus more on specialty diseases. The below listed preclinical projects are the most advanced and they have been presented at diabetes conferences in the US and Europe.

GIP receptor agonist (ZP-I-98) – Type 2 diabetes

ZP-I-98 is a novel GIP receptor agonist which in preclinical studies has shown an enhanced effect on the treatment of Type 2 diabetes when combined with a GLP-1 receptor agonist by inducing both robust glycemic control as well as a greater loss of body weight than seen with standalone treatments. ZP-1-98 has a long-acting profile, which indicates that it could be suitable for convenient once-weekly dosing.

GLP-1-GIP receptor dual agonist (ZP-DI-70)

The potent and selective GLP-1-GIP receptor dual agonist is a promising candidate for the treatment of Type 2 diabetes with superior body weight lowering effect compared to existing therapies. The in-vivo profile of the compound further suggests that ZP-DI-70 could be used as a convenient once-weekly treatment. The pharmacokinetic and pharmacodynamic preclinical results demonstrate the possibility of prolonging the activity of GLP1-GIP dual agonists, which builds on existing evidence from animal studies which suggests that the anti-obesity efficacy of GLP-1 can be enhanced by co-administration with the incretin hormone GIP.

GLP-1-gastrin dual agonist (ZP3022)

In preclinical studies ZP3022 has been shown to increase ß cell mass and improve glycemic control in db/db mice and Zucker Diabetic Fatty (ZDF) rats. ZP3022 produces a unique gene expression response compared to exendin-4 given alone or in combination with gastrin17 and may have therapeutic potential in the prevention/delay of ß cell dysfunction.

GLP-1/GLP-2 dual agonist

GLP-2 receptor agonists promote intestinal barrier function and can thereby help to reduce inflammation, associated with obesity and diabetes. The hypothesis that by adding the effect of a GLP-2 receptor agonist to the established beneficial effects of a GLP-1 receptor agonist on glycemic control, may therefore represent a novel strategy for treating diabetes. A novel Zealand invented GLP-1/GLP-2 dual agonist, ZP-GG-72 has been evaluated for potency on GLP-1 and GLP-2 receptors with pharmacological effects investigated in DIO (Diet Induced Obese) mice versus teduglutide (a GLP-2 analogue) and exendin-4 (a GLP-1 analogue). Results have shown that treatment with ZP-GG-72 cause an increase in intestinal weight and improved glycemic control.

Protecting our peptide innovations through Intellectual Property

Protection of our proprietary peptide therapeutics, processes, technologies and know-how are essential. We own and license patents and focus intensively on building broad coverage and establishing a very solid patent portfolio that ensures maximum protection of our products and core technologies. The strategy also involves seeking broad protection for specific products and their formulation. The ultimate goal is to ensure that Zealand and its collaborative partners avoid or are aware of patent challenges that could obstruct any of their projects.

Photo features Zealand employees: Charlotte from Pharmacology and Nina from Medicinal Chemistry working together in Zealand's laboratories.

Corporate matters.

The people at Zealand and how we organize and manage our business.

Efficient management systems and a dynamic organization are important for developing our business and creating value for our patients and shareholders.

However, the most essential element for our success is the skills and dedication of the people who work for and at Zealand.

In 2015, we introduced new members to our Board of Directors as well as to our senior management team.

We strive to ensure openness and transparency and to provide stakeholders with relevant insight into our business and the way it is managed.

Photo features Zealand employees: Gitte, Marion and Helle from the Finance Department talking with Hans-Christian from Legal on the preparations for the Annual General Meeting 2016.

Board of Directors.

Martin Nicklasson

Chairman of the Board
Chairman of the Remuneration and Compensation Committee
Chairman of the Nomination Committee

Qualifications
Certified pharmacist
PhD in Pharmaceutical Technology

Competencies
Broad-based executive experience from positions in European pharmaceutical and biotech companies.

Chairman of the Board of:
Orexo AB, Farma Holding AS and Basilea Pharmaceutica Ltd.

Member of the Board of:
Biocrine AB, PledPharma AB, Premier Research Group Ltd and the Swedish Heart-Lung Foundation.

Rosemary Crane

Vice Chairman of the Board

Qualifications
BA in communication from the State University of New York, MBA from Kent State University

Competencies
Business insight and commercial understanding of the US pharmaceutical market.

Member of the Board of:
Teva Pharmaceuticals Industries Ltd., Oswego State University Business School (Advisory board), The Foundation Board of Oswego State University (Advisory board), The Transplant House Committee at University of Pennsylvania (Advisory board).

Catherine Moukheibir

Board member
Chairman of the Audit Committee

Qualifications
MBA from Yale University

Competencies
Extensive experience with European biotech business models, financial strategy and reporting.

Member of the executive board of:
Innate Pharma S.A.

Member of the Board of:
Creabilis Ltd. (chairman), Ablynx S.A., Cerenis Therapeutics Holding S.A. and Imperial College Business School (Advisory Board).

Christian Thorkildsen

Board member/employee elected
Project Director

Qualifications
Cand.pharm. PMP

Helle Størum

Board member/employee elected
Director of Business Development

Qualifications
M.Sc. Business Administration
Diploma in Basic Pharmaceutical Medicine

Jens Peter Stenvang

Board member/employee elected
Senior Application Specialist

Qualifications
Degree in biology

Alain Munoz

Board member

Qualifications
MD in Cardiology and Anesthesiology

Competencies
Medical insight, substantial clinical and strategic experience in the field of pharmaceutical R&D.

Chairman of the Board of:
Hybrigenics

Member of the Board of:
Valneva SE and Oxthera AB.

Advisor to:
Kurma Biofund

Peter Benson

Board member

Qualifications
MA in Business Economics

Competencies
Extensive managerial and strategic experience and understanding within the biotech industry.

Managing partner in:
Sunstone Capital

Member of the Board of
Arcoma AB., Alligator Bioscience AB. and Opsona Therapeutics Ltd.

Michael J. Owen

Board member

Qualifications
PhD in Biochemistry

Competencies
Broad operational, drug discovery and clinical expertise from the international biotech and pharmaceutical industries.

Member of the Board of:
Blink Biomedical SAS, Ossianix Inc., Avacta Group plc and ReNeuron Ltd. plc.

Advisor to:
Kymab Ltd., Qure Invest SARL and CRT Pioneer Fund LP.

Zealand's Board of Directors

Name	Year of birth	Natio-nality	First time election	Position	Zealand ownership per 1 March 2016 (no. of shares)
Martin Nicklasson	1955	Swedish	2015	Chairman	-
Rosemary Crane	1960	American	2015	Vice Chairman	-
Catherine Moukheibir	1959	British	2015	Chairman of Audit Committee	-
Alain Munoz	1949	French	2005*	Board member	5,250
Peter Benson	1955	Swedish	2007	Board member	-
Michael J Owen	1951	British	2012	Board member	-
Christian Thorkildsen	1968	Danish	2006	Employee elected**	15,000
Helle Størum	1967	Danish	2008	Employee elected**	7,500
Jens Peter Stenvang	1954	Danish	2014	Employee elected**	1,000

* Resigned in 2006 and was re-elected 2007
** Employee elected board members are elected for a period of four years

Senior management.

From left to right: Mats Blom, Hanne Leth Hillman, Britt Meelby Jensen, Adam Steensberg and Carlos de Sousa

Zealand's Executive management comprises of Britt Meelby Jensen and Mats Blom.

Britt Meelby Jensen

President and Chief Executive Officer (CEO)

Britt Meelby Jensen (Danish, born 1973) joined Zealand as CEO in January 2015. Prior to joining Zealand, she headed the world leading Agilent-owned Danish diagnostics company, Dako, as the company's CEO.

Britt has extensive experience from a range of managerial positions within the life science industry, including 11 years of international experience with Novo Nordisk. At Novo Nordisk, she held various global leadership positions, including head of Diabetes Marketing Nordic, Global Diabetes Lifecycle Management, prelaunch commercial projects and more recently Corporate Vice President for Global Marketing, Market Access and Commercial Excellence.

Previously, Britt has worked for McKinsey and Company and within the EU Institutions in Brussels. She has a M.Sc. from Copenhagen Business School, Denmark and an MBA from Solvay Business School in Brussels, Belgium.

Ownership: 100,000 warrants

Mats Blom

Senior Vice President and Chief Financial Officer (CFO)

Mats Blom (Swedish, born 1965) joined Zealand as CFO in March 2010. Prior to joining Zealand, Mats served as CFO at Swedish Orphan International a leading European orphan drug company.

Mats has extensive managerial experience and has held CFO positions at Active Biotech and Anoto both publicly listed on Nasdaq Stockholm. Previously, Mats worked for several years as a management consultant at Gemini Consulting and at Ernst & Young's Transaction Services division.

Mats holds a BA in Business Administration and Economics from the University of Lund followed by an MBA from IESE University of Navarra, Barcelona.

Mats is Chairman of the Board for Medical Need AB.

Ownership: 137,038 warrants / 110,000 shares

Adam Steensberg

Senior Vice President, Chief Medical and Development Officer

Adam Steensberg (Danish, born 1974) joined Zealand in 2010 as Head of Clinical Development. Since 2011 he has been leading all development activities and was promoted to Senior Vice President and Chief Medical and Development Officer in March 2015.

Prior to joining Zealand, Adam led clinical research teams as medical director at Novo Nordisk A/S, and worked as clinician at the University hospital of Copenhagen. Adam has served as medical and scientific advisor within endocrinology, cardiology, gastroenterology, and rheumatology. He has significant experience with leading regulatory strategies and has been instrumental in implementing a patient-centric discovery and development process at Zealand. Adam has published more than 45 peer-reviewed scientific papers in international journals.

Adam holds a Doctor of medicine followed by a Doctor of Medical Sciences (DMSc/ dr.med) from the University of Copenhagen, Denmark and an MBA from IMD, Switzerland.

Ownership: 72,000 warrants / 11,500 shares

Hanne Leth Hillman

Senior Vice President, Investor Relations & Communications

Hanne Leth Hillman (Danish, born 1965) joined Zealand as Vice President for IR and Communications in 2011 and was promoted to Senior Vice President in March 2015.

Prior to joining Zealand, Hanne served in positions with responsibility for Investor Relations, financial market relations and corporate communications at two other publicly listed biotech companies. She has more than ten years of broad-based experience from Life Science banking, having held senior positions in equity research, asset management and corporate finance.

Hanne holds an MBA in International Finance from the Aarhus University School of Business and has studied International Economics at the University of Montréal's Business School and at École Superieure de Commerce in Marseille, France. She is Co-Chairman of the Board in the Danish Investor Relations Association (DIRF).

Ownership: 62,000 warrants

Carlos de Sousa

Senior Vice President and Chief Business Officer (CBO)

Carlos de Sousa (Portuguese, born 1958) joined Zealand in December 2015 as Senior Vice President, and Chief Business Officer.

For the last 25 years, Carlos held numerous senior management positions in the international pharmaceutical and biotech industries, including roles at Nycomed/ Takeda, Pfizer, Novartis, BBB Therapeutics and Newron Pharmaceuticals. Throughout his career, Carlos has worked extensively with business development including in-licensing, partnering, mergers and acquisition, corporate leadership, strategy, marketing and medical affairs.

Carlos de Sousa is a Medical Doctor by training and holds an executive MBA from the Stern School of Business, New York.

Ownership: -

Andrew Parker (Joining Zealand 1 July 2016)

Senior Vice President and Chief Science Officer (CSO)

Andrew Parker (1965, British) comes from a position as General Partner and Scientific Director for the Life Sciences Investment Fund Eclosion2 & Cie SCPC in Switzerland. In parallel, he has held the position as CEO for Arisgen SA (an Eclosion2 portfolio company developing an oral peptide drug delivery technology).

Andrew has more than twenty years of experience from senior leadership and managerial positions in international pharmaceutical, biotech and start-up companies, including several years with Shire Pharmaceuticals, Opsona Therapeutics, and AstraZeneca to mention a few.

He holds a Ph.D. from the National Institute for Medical Research at Mill Hill, London, conducted post-doctoral research at Johns Hopkins Medical School, Baltimore, USA, and also has an MBA from the University of Warwick Business School, UK. Andrew has published more than 25 scientific articles in renowned international journals.

Ownership: -

Risk management and internal control.

At Zealand, we constantly monitor and assess both the overall risk of doing business in the pharmaceutical biotech industry and the particular risks associated with our current activities and corporate profile.

Below is a summary of Zealand's key risk areas and how we attempt to address and mitigate such risks. Environmental and ethical risks are covered in our Corporate Social Responsibility reporting.

Doing business in the pharmaceutical / biotech industry involves major financial risk. The development period for novel medicines typically stretches over many years; costs are high and the probability of reaching the market is relatively low due to developmental and regulatory hurdles.

Risk related to	Risk description	Risk mitigation
Research and development	Research and development of new pharmaceutical medicines is by its nature a very risky activity. The probability of discovering and developing an efficient and safe new medicine with strong IP protection is very low.	During the course of the research and development process Zealand regularly assesses these risks through a quarterly risk assessment of all the company's research and development projects conducted by Management in collaboration with the department heads and project managers and presented to the Board of Directors. Each project is described and progress is measured based on milestones. An individual risk analysis for each of the projects is conducted and a prioritizing of the project portfolio is performed.
Commercial activities	Commercial activities relates to market size, competition, development time and costs, partner interest and pricing. By having the first products on the market the risks relating to pricing, reimbursement and competition has increased.	From early on in the research phase and all the way through development, commercial risks are assessed to make sure that final products are potentially commercially viable. Any major changes in the commercial potential for a drug candidate can lead to reduced value prospects and eventually discontinued development. When it comes to the launched partnered products, it is Zealand's partners that are responsible for managing the commercial risks. However, Zealand stay in close contact with its partners to be able to assess these risks and if possible support our partners in managing them.

Zealand's management is responsible for implementing adequate systems and policies on risk management and internal control and to assess the overall risks and specific risks associated with Zealand's business and operations. Furthermore, Zealand's management seeks to ensure that such risks are managed best possible in a responsible and efficient manner.

Risks of specific/particular importance to Zealand are scientific and development risks, commercial risks, intellectual property risks, partner interest risks, financial risks and risks relating to financial reportings. Risk and mitigation plans are monitored by Management and this continuous risk assessment is an integral part of the quarterly reporting to the Board of Directors.

Risk related to	Risk description	Risk mitigation
Intellectual property	If Zealand or its partners were to face infringement claims or challenges by third parties, an adverse outcome could subject Zealand or its partners to significant liabilities to such third parties. This could lead Zealand or its partners to curtail or cease the development of some or all of their candidate drugs, or cause Zealand's partners to seek legal or contractual remedies against Zealand including, in some cases, a reduction of royalties owing to Zealand.	Zealand's internal patent department work in close collaboration with external patent councils and partners patent councils to minimize the risks of patent infringement claims as well as to prepare any patent defense should it be necessary. Zealand employees are educated and kept updated on policies regarding the proper and legal management of external intellectual property.
Partner interest	Entering into collaborations with partners can bring significant benefits but also potentially involves risks. In addition, full control of the products is often given over to the collaborator.	In order to mitigate these risks, Zealand strives to foster a close and open dialogue with its partners, thereby building strong partnerships that work effectively. Zealand has also taken a decision to increase the focus on proprietary programs in order to decrease the dependency of partners in the development process and to capture more of the value of its projects.
Financial	Financial risks relate to cash and treasury management, liquidity forecasts and financing opportunities.	The financial risks are managed in accordance with the Finance Policy and regularly assessed by the company's management and reported to the audit committee and the Board of Directors. See also page 73; Note 22 – Financial and operational risk.

Risk management and internal control related to financial reporting

Zealand has a number of internal control and risk management systems in place to ensure that its financial statements provide a true and fair view and is in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. On a yearly basis, an evaluation – with special emphasis on risk management and internal control related to the financial reporting – is done to ensure that risks are managed in a responsible and efficient manner.

Zealand has several policies and procedures in key areas of financial reporting. The internal control and risk management systems are designed to mitigate, detect and correct material misstatements rather than eliminate the risks identified in the financial reporting process.

A review and prioritization of material accounting items is also performed. Items in the financial statements that are based on estimates or that are generated through complex processes carry a relatively higher risk for error. Zealand performs continual risk assessments to identify such items and to assess the scope and related risk.

The Board of Directors approves policies and procedures and senior management has the daily responsibility. The Board of Directors has established an audit committee with an advisory role relative to the Board of Directors. The Board of Directors has concluded that it is not relevant to establish an internal audit function in Zealand, considering Zealand's legal structure, size and the fact that operations are carried out at one single site.

Description of management reporting systems and internal control systems

Zealand has management reporting and internal control systems in place that enables it to monitor performance, strategy, operations, business environment, organization, procedures, funding, risk and internal control. The company believes that the reporting and internal controls are adequate to avoid misstatements in the financial reporting.

A full description of the risk management and internal control system in relation to financial reporting is included in the statutory report on Corporate Governance, cf. section 107b of the Danish Financial Statements Act, which can be found on the company's website:
www.zealandpharma.com/investors/corporategovernance

Corporate Governance.

Zealand follows the Danish securities law and as a company listed on Nasdaq Copenhagen, we are guided by the Corporate Governance Recommendations designated by Nasdaq Copenhagen.

Nasdaq Copenhagen has incorporated the Recommendations by the Danish Committee of Corporate Governance, and Zealand intends to meet these recommendations in all respects of material relevance to our company. As part of our Corporate Governance policy, we apply the "comply or explain" principle as recommended.

Zealand regularly reviews its rules, policies and practices related to the overall governance of our company with the purpose of ensuring that we meet our obligations to shareholders, employees, regulatory authorities and other stakeholders, while serving to maximize long-term value.

It is the view of management that Zealand complies with the recommendations set forward with two exceptions, which is highlighted and explained below:

Recommendations section 3.4.8: The remuneration committee will be using the same external advisors as the executive management, even if this is against the Corporate Governance recommendations. The reason is that the Board of Directors' is of the conviction that the external advisors will provide professional and unbiased advice in both their capacities as advisers to the executive management and to the remuneration committee.

Recommendations section 4.1.4: The Committee recommends that if share-based remuneration is provided, such programs should be established as roll-over programs, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation. Some of the warrants granted to executive management can be exercised in a period from one to five years after grant.

Zealand's statutory report on Corporate Governance, which has been prepared in accordance with the Danish Financial Statements Act, section 107b, is available in full at the company's website:
www.zealandpharma.com/investors/corporategovernance

Photo features Zealand employee: Mette from Medicinal Chemistry working in Zealand's laboratories.

Corporate Social Responsibility (CSR).

At Zealand we are developing our company both through in-house development and through external collaborations while we are committed to be socially and environmentally responsible and comply with relevant laws, standards and guidelines.

Zealand's policies with regards to CSR cover many areas of our business. Our CSR status report describe the status and activities within the following focus areas considered important to Zealand's business:

1. Employee well-being including health, safety and labor practices
We prioritize the well-being of our employees and it is our policy to actively ensure the physical and mental health and safety of all our employees.

2. Ethics and quality in relation to research and development activities
Our quality policies comply with international recognized standards and guidelines in all stages of research and development.

3. Environmental sustainability and climate
We aim to reduce the impact on the environment and climate.

4. Business ethics
We strive to conduct business according to the highest ethical standards.

Diversity at Zealand

Zealand's culture and policy is rooted in a respect of diversity and is fully compliant with Danish regulation regarding equal opportunity employment.

Zealand is committed to hiring and retaining the most qualified employees without regard to race, creed, gender or age, but strives for diversity throughout the organization with respect to age, nationality and gender. Moreover, Zealand aims to achieve a reasonable representation of both genders on all management levels – from Board of Directors to head of departments. We will encourage female candidates' interest in taking on managerial tasks.

Our split of female vs. male employees can be seen on page 43 in the table "key employee ratios".

The executive management has an even split of female and male representation in 2015 (2014: 0% female representation), whereas the senior management team constitutes 40% women end of 2015 (2014: 40%). When looking at the gender split for the head of departments, 41% were female end of 2015 (2014: 27%).

Furthermore, when looking at the members of the Board of Directors, we currently constitute 3 women and 6 men, of which 2 women and 4 men have been elected at the Annual General Meeting (AGM) 2015 (33% female representation). The target in 2014 was a minimum of 25% AGM elected female board members within 2 years. This target has been achieved by the election of Rosemary Crane and Catherine Moukheibir at the AGM in 2015.

Read the full CSR report

Zealand has in accordance with the Danish Financial Statements Act, section 99a and 99b, prepared a statutory report on CSR, which can be found on the company's website: **www.zealandpharma.com/investors/csr**

Human Resources.

We have a lean organization that helps to keep us agile and efficient. We have an inclusive corporate culture where we care about our colleagues, our external stakeholders and not least the people we develop medicines for.

At Zealand, we have an engaging and dynamic work environment that is driven by our core values:

Passionate

We are dedicated and determined to excel our goals

Courageous

We speak our mind and dare to challenge

Ambitious

We challenge ourselves everyday

Curious

We approach every new idea and opportunity in an open and receptive way

Empathetic

We care for our colleagues and the people we discover medicine for

We strive to attract and retrain the most qualified employees

Employees at Zealand are our most important resource, and it is important for us to attract and retain skilled people with curiosity, engagement and determination who have the ability with integrity and rational to interact constructively with both colleagues and partners to deliver on our ambitious corporate goals.

We work with developing our employees' competencies as knowledge and experience are the key to our success as a biotech company. We believe that an experienced management team and a talented pool of employees' with profound experience in the pharmaceutical and biotech industry and with diverse backgrounds is the best way to drive performance and innovative thinking.

We have an even distribution of female and male employees and approximately 19% of our employees are non-Danish. >80% of the employees work in R&D and 37 of our employees holds a PhD.

Key employee ratios

	2015 Male	2015 Female	2014 Male	2014 Female
Zealand Pharma A/S	48%	52%	46%	54%
Executive management	50%	50%	100%	0%
Senior management	60%	40%	60%	40%
Head of departments	59%	41%	73%	27%
Other employees	46%	54%	40%	60%

Other employee figures

	2015	2014
Employees in R&D	91	78
Employees in administration	21	19
Average age of workforce	46,1	45.0
% of non-Danish employees	19%	22%
Employees holding a PhD	37	34
PhD students	3	3
Other trainees	3	1
FTE at the end of the year	110	103

Shareholder information.

Zealand's shares are publicly listed on Nasdaq Copenhagen

Number of shares, end 2015	24,352.769
Listing	Nasdaq Copenhagen
Ticker symbol	ZEAL.CO
Index membership	OMX Copenhagen Midcap

Share capital and ownership structure

Zealand's share capital increased in 2015 due to exercise of employee warrants

As per 31 December 2015, Zealand's share capital had a nominal value of DKK 24,352,769 divided into 24,352,769 shares with a nominal value of DKK 1 each. The share capital has remained unchanged in 2016 (as per 15 March).

In 2015, the share capital was increased by a nominal value of DKK 1,159,722 as a result of the exercise of employee warrants.

All Zealand shares are ordinary shares, belonging to one class. Each share listed by name in Zealand's shareholder registry represents 1 vote at the Annual General Meeting and other shareholder assemblies.

A doubling of the number of shareholders since the start of 2015

The number of registered Zealand shareholders has more than doubled during 2015 and further increased into 2016. From 4,549 registered shareholders on 31 December 2014, the number has grown to 9,689 on 31 December 2015, representing an increase of 112%. In February, we crossed a milestone, when the number of shareholders passed 10,000.

On 1 March 2016, Zealand had 10,720 registered shareholders, representing a total of 21,917,836 shares or 90% of the total outstanding share capital of the company.

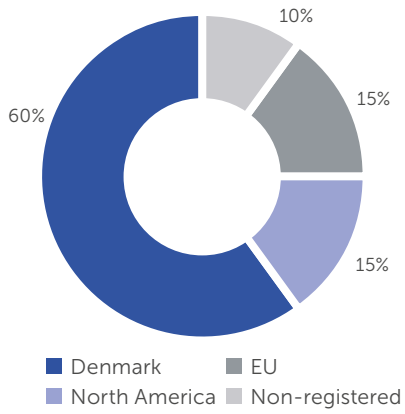
Ownership distribution

Of Zealand's share capital, 60% is held by Danish investors. Hereof, the two largest shareholders, Sunstone Capital and LD, represent combined 34% and retail investors about 19%. Of registered non-Danish shareholders, 15% are US-based and another 15% are European, with France and the UK representing the largest holdings.

Through 2015, there has been a slight shift in ownership from Denmark to Europe.

Of the 10% of non-registered shareholdings, about half is estimated to be held by US institutional shareholders and another half by non-Danish European institutional shareholders.

Geographical distribution and ownership

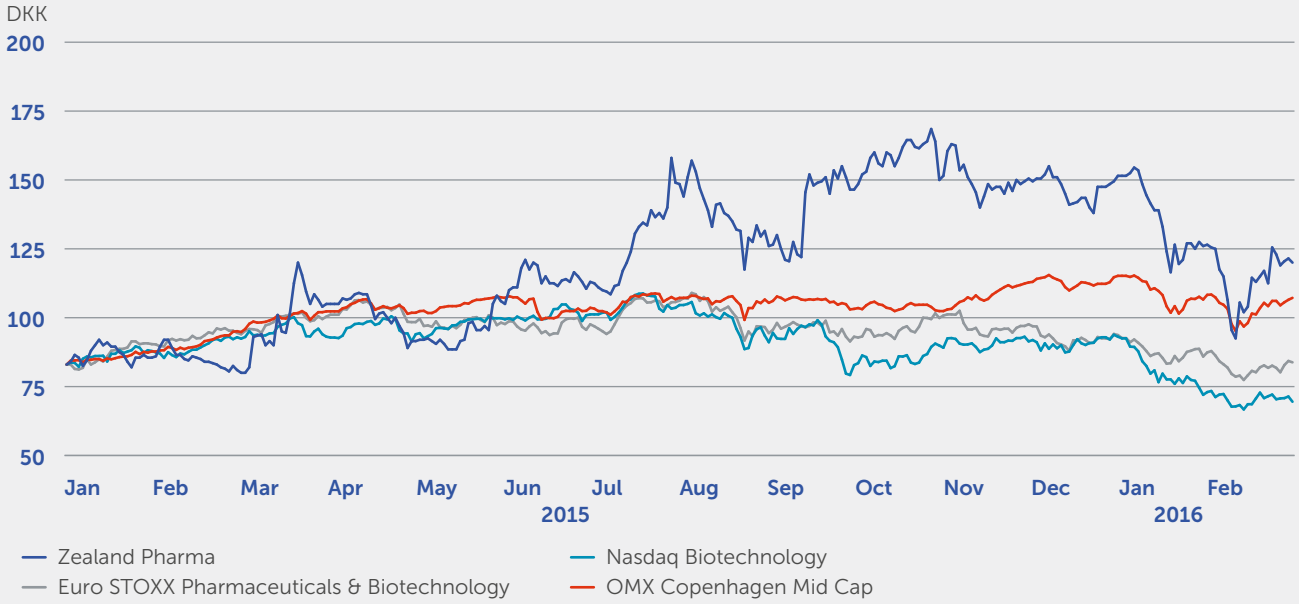


Ownership

The following shareholders are registered in Zealand's register of shareholders as being the owners of minimum 5% of the voting rights or minimum 5% of the share capital (1 share equals 1 vote):

Sunstone BI Funds and Life Science Ventures Fund,
Copenhagen, Denmark
LD Pension (Lønmodtagernes Dyrtidsfond),
Copenhagen, Denmark
Legg Mason (Royce) Inc.,
Maryland, US

Significant share price increase in 2015



Share price performance and liquidity

Zealand's share price increased 83% in 2015

In 2015, Zealand's share price increased 83%, closing at DKK 151.50 on 30 December 2015 compared to a closing price of DKK 83 at the end of 2014. With this increase, Zealand shares significantly outperformed all relevant benchmark indexes, including the OMX Copenhagen Midcap index, the EuroSTOXX Pharmaceutical and Biotechnology index as well as Nasdaq Biotechnology index. With this share price development and the increase in share capital, Zealand's Market Value has almost doubled in 2015 from DKK 1.9 billion to DKK 3.7 billion.

The strong outperformance of Zealand's shares was driven mainly by a positive and high-frequent news flow through 2015 with considerable progress for both our portfolio of out-licensed products and our pipeline of proprietary investigational medicines. In particular, have the important advancements for lixisenatide, which was filed for US regulatory review in July, and most notably for the fixed-ratio combination of lixisenatide and Lantus® (referred to as LixiLan) with positive results in two Phase III trial, under our license collaboration with Sanofi, impacted positively. This positive development was accentuated in December 2015 with Sanofi's submission of LixiLan for regulatory approval in the US, redeeming a Priority Review Voucher in the filing to decrease the regulatory review time from 10 to six months.

In parallel, we succeeded in progressing and expanding our own proprietary pipeline, including the initiation of two new clinical development programs with ZP4207 for hypoglycaemia management and with ZP1848 for short bowel syndrome.

Our strong news flow has continued into 2016, where our share price, however, has been negatively affected by a strong deterioration in investor appetite due to growing macroeconomic uncertainly – in particular as a spill-over effect from a very negative sentiment among biotech investors in the US. During January and February, our shared underperformed both Danish midcap and biotech indexes in the US and Europe, but performance has picked up positively since mid-February.

Positive development in share liquidity

Liquidity in Zealand's share has also increased significantly in 2015. Average daily turnover on Nasdaq Copenhagen in 2015 has almost 10-doubled to an average of close to DKK 14 million compared to DKK 1.4 million in 2014. In 2016, with the downturn in market sentiment and in particular a marked increase in risk aversion, liquidity in our shares has fallen to approximately DKK 12 million in daily turnover.

Investor Relations at Zealand

In line with the disclosure requirements for companies listed on Nasdaq Copenhagen, Zealand issues company announcements to inform publicly of material news relating to the company and its activities. This include issuance of quarterly interim financial reports. In addition, Zealand issues press releases to inform of business news of non-material character, and Investor News to inform of upcoming IR news and events.

Direct access to management

Zealand's objective is to have an open, accessible and proactive interaction with the investor community. Our main IR activities consist of direct access to the management team via conference calls and webcasts, Capital Market Days, conference attendance and 1-to-1 meetings in both the US and the main cities in Europe.

IR Newsletters

In addition, we issue online IR newsletters on a regular basis to update on recent news and the status of our activities. Under the investor section of Zealand's website: zealandpharma.com/investors, we provide access to relevant information in the form of all our news releases, our IR newsletters. investor presentations, our IR event calendar, and recent financial and annual reports. Zealand can also be followed on Twitter and LinkedIn.

Register on our website to get news and IR newsletters directly

Zealand has shifted almost entirely to online communication and provision of information in order to protect the environment and minimize administrative expenditures. Therefore, we kindly ask all our shareholders to register their email address via our homepage under **zealandpharma.com/investors/shareholder-portal**

Zealand shares are covered by eight Scandinavian and International banks:

Institution	Analyst
Bryan, Garnier & Co	Eric le Berrigaud
Danske Bank	Thomas Bowers
Goldman Sachs	Eleanor Fung
Handelsbanken	Peter Sehested
Jefferies	Peter Welford
Nordea	Michael Novod
Oddo Securities – Oddo & Cie	Sébastien Malafosse
Rx Securities	Samir Devani

Hanne Leth Hillman, M.Sc., Senior Vice President and Head of Investor Relations & Communications:

Retaining strong and trustful relations is essential for our success. Therefore it remains a key focus area for us, across our business, to have an open, engaging and respectful dialogue with our shareholders and all other stakeholders as we progress our company.

Contact IR

We encourage our shareholders, investors, analysts and other stakeholders to contact us with questions or enquiries relating to Zealand – and if there is an interest to meet.

Zealand Pharma A/S
Smedeland 36
DK-2600 Glostrup
Denmark

Hanne Leth Hillman
Senior Vice President, Head of Investor Relations and Communications
Phone: +45 50 60 36 89
e-mail: investors@zealandpharma.com

Calendar 2016

Event calendar

Date	Event
31 Mar	**Oddo Biotech / Medtech Investor Forum,** Paris
4-6 Apr	**Bio-Europe Spring**, Stockholm
12-13 Apr	**Needham & Company's 15th Annual Healthcare Conference,** New York
12-13 Apr	**2016 Danish Biotech Conference,** New York
10-11 May	**BioEquity Europe 2016,** Copenhagen
6-9 Jun	**2016 BIO Internaional Convention,** San Francisco
7-9 Jun	**Goldman Sachs 37th Annual Global Healthcare conference,** Palos Verdes, CA
7-10 Jun	**Jefferies 2016 Healthcare Conference,** New York
7 Jun	**InvestorDagen,** Aarhus
10-14 Jun	**American Diabetes Association (ADA) 76th Scientific Sessions,** New Orleans
21 Jun	**Citi's EU Healthcare Conference,** London
9 Sep	**Goldman Sachs Third Annual Biotech Symposium,** London
12-16 Sep	**52nd EASD Annual Meeting,** Munich
20 Sep	**InvestorDagen,** Copenhagen
27-28 Oct	**11th Annual Peptide Therapeutics Symposium,** La Jolla, California

An updated version of the event calendar is always available on zealandpharma.com/investors/events

Financial calendar

Date	Event
19 Apr	**Annual General Meeting for 2016**
18 May	**Interim report for Q1 2016**
25 Aug	**Interim report for H1 2016**
9 Nov	**Interim report for 9 months 2016**

Photo features Zealand employee: Hanne from IR and Communications presenting Zealand at an international IR conference.

Financial review.

Financial review for the period 1 January – 31 December 2015

Since there is no significant difference in the development of the group and the parent company, except for the royalty bond, the financial review is based on the group's consolidated financial information for the year ended 31 December, 2015, with comparative figures for 2014 in brackets.

Income statement

The net result for the year 2015 was a loss of DKK -114.0 million (-65.0). The decrease in net result is a consequence mainly of increased financial costs relating to interest on the royalty bond, increased net operating expenses partly offset by increased revenues.

Revenue

Revenue in 2015 amounted to DKK 187.7 million (153.8).

In October, Boehringer Ingelheim selected a novel peptide therapeutic to be advanced into preclinical development under one of two ongoing collaboration agreements resulting in a milestone of DKK 22.4 / EUR 3 million. In December, Sanofi submitted an NDA for LixiLan leading to a milestone payment of DKK 136.6 / USD 20 million. Total milestones in 2015 amounted to DKK 159.1 million (133.5) corresponding to a 19% increase versus previous year.

Royalty revenue from sales of Lyxumia® continued to grow and amounted to DKK 28.6 million (20.3) corresponding to a 41% increase versus previous year.

Royalty expenses

Royalty expenses for the year amounted to DKK 22.3 million (13.8) and relates to royalty paid to third parties on received milestone payments and royalty income relating to the license agreement with Sanofi.

Research and development expenses

Research and development expenses amounted to DKK 215.0 million (180.0). The increase is related to accelerated development activities amounting to DKK 27.1 million, mainly development costs for the ZP4207 Phase I trial conducted in Germany and preparation costs for the ZP1848 (short bowel syndrome) Phase II trial conducted at Rigshospitalet, Copenhagen. The research and development share of the personnel costs amounted to DKK 93.0 million (85.7), an increase of DKK 7.3 million which is related to employee warrant programs granted in 2015. In 2014, only one program was granted to one member of senior management.

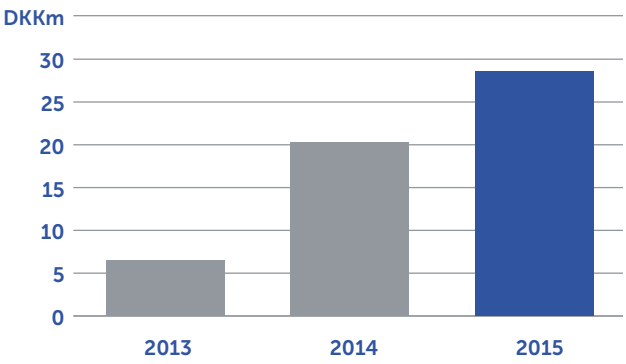
Administrative expenses

Administrative expenses amounted to DKK 44.6 million (39.8). The increase is mainly due to employee warrant programs granted in 2015.

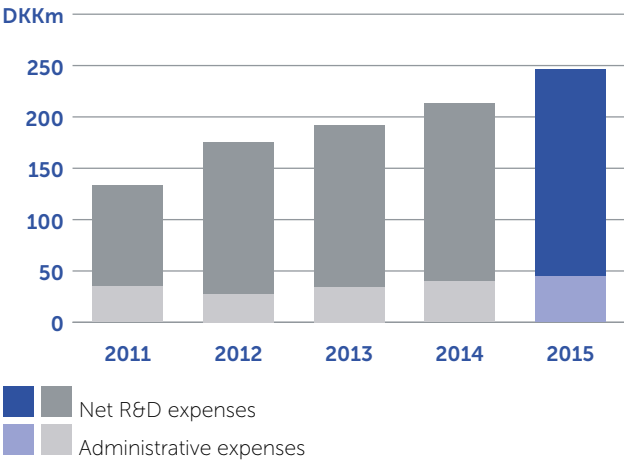
Other operating income

Other operating income amounted to DKK 12.8 million (6.3). Other operating income mainly consists of funding from Boehringer Ingelheim covering the development costs in one of the research collaborations.

Lyxumia® royalty revenue



Net operating expenses



Operating result
Operating result for the period was a loss of DKK -81.3 million (-73.5).

Net financial items
Net financial items amounted to DKK -38.5 million (1.0). Net financial items consist of interest income and expenses, amortized costs relating to the royalty bond financing, banking fees and changes in exchange rates. Of the net financial items DKK 32.0 million is related to interest on the royalty bond and DKK 9.3 million is related to amortized costs of the royalty bond financing.

Result from ordinary activities before tax
Result from ordinary activities before tax came to a loss of DKK -119.8 million (-72.5).

Tax on ordinary activities
With a negative result from ordinary activities, no tax has been recorded for the period. However, according to Danish tax legislation Zealand is eligible to receive DKK 5.9 million (7.5) in cash relating to the tax loss of 2015.

No deferred tax asset has been recognized in the statement of financial position due to uncertainty as to when and whether tax losses can be utilized.

Net result and comprehensive income
Net result and comprehensive income both amounted to DKK -114.0 million (-65.0) in each case due to the factors described above.

Allocation of result
No dividend has been proposed and the year's net loss of DKK -114.0 million (-65.0) has been transferred to retained earnings.

Equity
Equity amounts to DKK 252.2 million (252.8) at the end of the year, corresponding to an equity ratio of 40% (42). The decrease in equity is a result of the net loss for the year of DKK -114.0 million (-65.0) compensated by new equity relating to the exercise of warrants by employees during the year of DKK 96.4 million (0.0) and warrant compensation expenses of DKK 16.9 million (1.7).

Capital expenditure
Investments in plant and equipment for the period amounted to DKK 4.0 million (4.5) mainly related to new laboratory equipment.

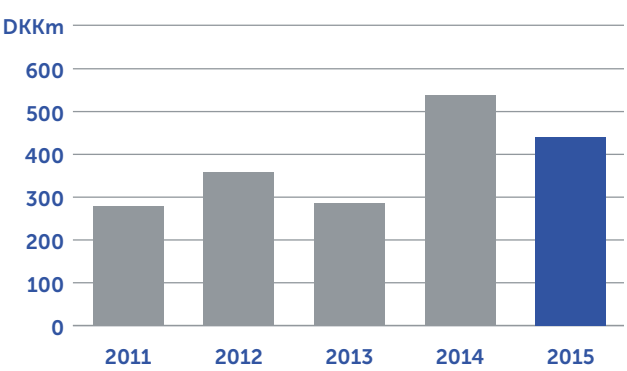
Royalty bond
On 12 December 2014, Zealand raised USD 50 / DKK 298.7 million in a non-dilutive and non-recourse bond financing backed by 86.5% of the future annual royalties and other payments which the company is entitled to on lixisenatide as stand-alone product under its license agreement with Sanofi. Repayment of the bond is based solely on lixisenatide stand-alone royalty revenue with no recourse to future royalty revenue on LixiLan. Regulatory milestone payments, to which Zealand is entitled on lixisenatide and LixiLan, will as part of the financing be placed in a collateral reserve account, which can never exceed the remaining principal on the loan, and which will be released to Zealand upon full repayment of the bond. The outstanding principal of the loan at year end 2015 were DKK 341.5 million (306.1). The increase is a result of the strengthening of the US dollar versus the Danish crown.

The bond carries an annual interest rate of 9.375% and upon full repayment of the bond, all further future lixisenatide revenue will be fully retained by Zealand.

Cash flow
Cash flow from operating activities amounted to DKK -225.4 million (-42.2), and cash flow from investing activities amounted to DKK -4.0 million (19.8) of which DKK 0.0 million (24.4) relates to disposal of securities. Cash flow from financing activities amounted to DKK 96.4 million (272.2) and relates to capital increase due to exercise of warrants and the 2014 amount related to net proceeds from the royalty bond financing. The total cash flow for the full year of 2015 amounted to DKK -133.0 million (249.8).

Cash and cash equivalents
As of 31 December 2015, cash and cash equivalents amounted to DKK 440.2 million (538.3).

Cash and securities



Financial statements.

Financial statements.

Income statement

DKK '000	Note	Group 2015	Group 2014	Parent 2015	Parent 2014
Revenue	2	187,677	153,773	22,491	141,585
Royalty expenses	3	-22,267	-13,776	0	-12,129
Gross profit		**165,410**	**139,997**	**22,491**	**129,456**
Research and development expenses	4, 21	-214,959	-180,036	-214,167	-180,036
Administrative expenses	4, 21	-44,606	-39,826	-43,938	-39,826
Other operating income	5	12,828	6,328	12,828	6,328
Operating result		**-81,327**	**-73,537**	**-222,786**	**-84,078**
Financial income	6	3,889	3,064	1,444	3,064
Financial expenses	7	-42,394	-2,017	-306	-64
Result from ordinary activities before tax		**-119,832**	**-72,490**	**-221,648**	**-81,078**
Tax on ordinary activities	8	5,875	7,500	5,875	7,500
Net result for the year		**-113,957**	**-64,990**	**-215,773**	**-73,578**
Earnings per share					
Basic	9	-4.82	-2.87	-9.13	-3.25
Diluted	9	-4.82	-2.87	-9.13	-3.25

Statement of comprehensive income

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Net result for the year	**-113,957**	**-64,990**	**-215,773**	**-73,578**
Other comprehensive income	0	0	0	0
Comprehensive income for the year	**-113,957**	**-64,990**	**-215,773**	**-73,578**

Financial statements.

Statement of financial position at 31 December

DKK '000	Note	Group 2015	Group 2014	Parent 2015	Parent 2014
Assets					
Plant and machinery	10	14,672	15,994	14,672	15,994
Other fixtures and fittings, tools and equipment	10	1,153	1,573	1,153	1,573
Leasehold improvements	10	628	1,060	628	1,060
Investment in subsidiaries	11	0	0	380	380
Deposits		2,666	2,693	2,666	2,693
Non current assets total		**19,119**	**21,320**	**19,499**	**21,700**
Trade receivables	12	141,120	25,031	313	12,843
Receivable from subsidiaries		0	0	3,549	11,727
Prepaid expenses	13	2,262	2,209	2,242	2,209
Tax receivable	8	5,875	6,250	5,875	6,250
Other receivables	14	26,113	3,673	10,627	2,694
Cash restricted	15	21,403	21,424	0	0
Cash and cash equivalents	15	418,796	516,849	140,783	255,335
Current assets total		**615,569**	**575,436**	**163,389**	**291,058**
Total assets		**634,688**	**596,756**	**182,888**	**312,758**
Liabilities and equity					
Share capital	16	24,353	23,193	24,353	23,193
Retained earnings		227,878	229,635	117,471	221,044
Equity total		**252,231**	**252,828**	**141,824**	**244,237**
Royalty bond	17	312,951	267,170	0	0
Non-current liabilities		**312,951**	**267,170**	**0**	**0**
Trade payables		21,676	18,487	21,580	18,487
Royalty bond	17	0	5,000	0	0
Prepayments from customers	18	2,091	14,383	2,063	14,383
Other liabilities	19	45,739	38,888	17,421	35,651
Current liabilities		**69,506**	**76,758**	**41,064**	**68,521**
Total liabilities		**382,457**	**343,928**	**41,064**	**68,521**
Total equity and liabilities		**634,688**	**596,756**	**182,888**	**312,758**

Financial statements.

Statement of changes in equity

DKK '000	Share capital	Retained earnings	Total
Group			
Equity at 1 January 2014	**23,193**	**292,948**	**316,141**
Warrants compensation expenses	0	1,677	1,677
Comprehensive income for the year	0	-64,990	-64,990
Equity at 31 December 2014	**23,193**	**229,635**	**252,828**
Equity at 1 January 2015	**23,193**	**229,635**	**252,828**
Warrants compensation expenses	0	16,947	16,947
Capital increase	1,160	95,253	96,413
Comprehensive income for the year	0	-113,957	-113,957
Equity at 31 December 2015	**24,353**	**227,878**	**252,231**

DKK '000	Share capital	Retained earnings	Total
Parent			
Equity at 1 January 2014	**23,193**	**292,948**	**316,141**
Warrants compensation expenses	0	1,674	1,674
Comprehensive income for the year	0	-73,578	-73,578
Equity at 31 December 2014	**23,193**	**221,044**	**244,237**
Equity at 1 January 2015	**23,193**	**221,044**	**244,237**
Warrants compensation expenses	0	16,947	16,947
Capital increase	1,160	95,253	96,413
Comprehensive income for the year	0	-215,773	-215,773
Equity at 31 December 2015	**24,353**	**117,471**	**141,824**

Financial statements.

Statement of cash flows

DKK '000	Note	Group 2015	Group 2014	Parent 2015	Parent 2014
Net result for the year		-113,957	-64,990	-215,773	-73,578
Adjustments	24	43,553	6,559	20,714	4,606
Change in working capital	25	-138,871	15,521	-20,827	13,722
Cash flow from operating activities before financing items		**-209,275**	**-42,910**	**-215,886**	**-55,250**
Financial income received		1,269	1,494	340	1,494
Financial expenses paid		-23,657	-2,017	1,004	-64
Tax received	8	6,250	1,250	6,250	1,250
Cash flow from operating activities		**-225,413**	**-42,183**	**-208,292**	**-52,570**
Change in deposit		27	-123	27	-123
Net finansing of foreign subsidiaries		0	0	28	-380
Purchase of property, plant and equipment		-4,040	-4,497	-4,040	-4,497
Disposal of securities		0	24,383	0	24,383
Cash flow from investing activities		**-4,013**	**19,763**	**-3,985**	**19,383**
Proceeds from issuance of royalty bonds		0	298,675	0	0
Royalty bond issuance costs		0	-26,505	0	0
Capital increase		96,413	0	96,413	0
Cash flow from financing activities		**96,413**	**272,170**	**96,413**	**0**
Decrease / increase in cash, cash restricted and cash equivalents		**-133,013**	**249,750**	**-115,864**	**-33,187**
Cash and cash equivalents at 1 January		538,273	286,178	255,335	286,178
Exchange rate adjustments		34,939	2,345	1,312	2,344
Cash, cash restricted and cash equivalents at 31 December		**440,199**	**538,273**	**140,783**	**255,335**
Cash could be specified as:					
Cash and cash equivalents according to financial statements		418,796	516,849	140,783	255,335
Cash restricted		21,403	21,424	0	0
Cash, cash restricted and cash equivalents at 31 December		**440,199**	**538,273**	**140,783**	**255,335**

Notes.

Note 1 – Significant accounting policies and significant accounting estimates and assesments

Significant accounting policies

The financial statements of Zealand Pharma A/S (Zealand) for 2015 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies. The Board of Directors considered and approved the 2015 Annual Report of Zealand on 16 March 2016. The Annual Report will be submitted to the shareholders of Zealand for approval at the Annual General Meeting on 19 April 2016.

Functional and presentation currency

The consolidated financial statements are presented in Danish kroner (DKK ´000) which is also the functional currency of the parent company.

During 2014 four subsidiaries were established by Zealand in relation to the royalty bond financing that was concluded in December 2014.

The notes comprise both the parent company and the group unless specifically stated otherwise.

Future IFRS changes

At the date of the approval of the consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been adopted by the EU. Therefore, they are not incorporated in the financial statements.

IASB has issued IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2018. IFRS 9 Financial Instruments is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement, and the new standard will change the classification, presentation and measurement of financial instruments and hedging requirements. Zealand is assessing the impact of the standard, but it is not expected to have any material impact on the future financial statements.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018. The standard has not yet been endorsed by the EU. Entities will apply a five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. Before implementation of the standard, Zealand will assess whether IFRS 15 Revenue from Contracts with Customers has an impact on the current and new significant contracts. The new standard is not expected to have any material impact on the future financial statements.

IFRS 16 Leases was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The standard has not yet been endorsed by the EU. In the financial statements of the lessees IFRS 16 requires all leases (except for short term leases and leases of asset of low value) to be reognized as a right-of-use asset and lease liability, respectively, measured at the present value of future lease payments. The right-of-use asset is subsequently depreciated in a similar way to other depreciable assets over the lease term and interest shall be calculated on the lease liability similar to finance leases under IAS 17. Consequently, the change will also impact the presentation in the income statement and the statement of cash flows. As the standard is newly issued, Zealand has not yet assessed the impact on the future financial statements, but it is not expected to have any material impact on the future financial statements.

The consolidated financial statements

The consolidated financial statements and the financial statements comprise the parent company Zealand Pharma A/S and the group enterprises, for which Zealand is entitled to determine finance and operational policies and which normally applies on ownership interests of more than half of the voting rights. The consolidated financial statements are prepared based on uniform accounting policies in all group entities. Consolidation of group entities is performed after elimination of all intra-group transactions, balances, income and expenses.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the dates of transaction.

Exchange differences arising between the rate on the date of transaction and the rate on the payment day are recognized in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance

sheet date are translated by applying the exchange rates at the balance sheet date. Differences arising between the rate at balance sheet date and the rate at the date of the arising of the receivable or payable are recognized in the income statement under financial income and expenses.

Fixed assets purchased in foreign currencies are measured at the rate of the date of transaction.

Consolidated financial statements

Income statement

The income statement is classified by function.

Segment reporting

The group is managed by a management team reporting to the Chief Executive Officer. No separate business areas or separate business units have been identified in connection with product candidates or geographical markets. As a consequence of this, no segment reporting is made concerning business areas or geographical areas.

Statement of financial position

Financial assets

Financial assets include receivables, securities and cash. Financial assets can be divided into the following categories: loans and receivables, financial assets at fair value through the income statement, available-for-sale financial assets and held-to maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. All financial assets are recognized on their settlement date. All financial assets that are not classified as fair value through the income statement are initially recognized at fair value, plus transaction costs.

Statement of cash flows

The statement of cash flows shows the cash flow for the year together with the cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities

Cash flow from operating activities is presented indirectly and is calculated as the net result adjusted for non-cash operating items, changes in the net working capital, financial items paid and income taxes paid.

Cash flow from investment activities

Cash flow from investment activities includes payments associated with the purchase and sale of fixed assets and investments.

Cash flow from financing activities

Cash flow from financing activities comprises new equity, loan financing and repayment of interest bearing debt.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Significant accounting estimates and assesments

In the statement of the carrying amounts of certain assets and liabilities estimates are required on how future events will affect the carrying amounts of these assets and liabilities at the balance sheet date.

The used estimates are based on assumptions assessed reasonable by management, however, estimates are inherently uncertain and unpredictable. The assumptions can be incomplete or inaccurate and unexpected events or circumstances might occur. Furthermore, the enterprise is subject to risks and uncertainties that might result in deviations in actual results compared to estimates.

Revenue

Evaluating the criteria for revenue recognition with respect to the company's research and development and collaboration agreements requires management's judgment to ensure that all criteria have been fulfilled prior to recognizing any amount of revenue. In particular, such judgments are made with respect to determination of the nature of transactions, whether simultaneous transactions shall be considered as one or more revenue-generating transactions, allocation of the contractual price (upfront and milestone payments subscribed in connection with a collaboration agreement) to several elements included in an agreement, and the determination of whether the significant risks and rewards

have been transferred to the buyer. Collaboration agreements are reviewed carefully to understand the nature of risks and rewards of the arrangement. All the company's revenue-generating transactions, including those with Sanofi S.A, Helsinn Group and Boehringer Ingelheim International GmbH have been subject to such evaluation by management.

Employee incentive programs

In accordance with IFRS 2 "Share-based Payment," the fair value of the warrants, classified as equity settled, are measured at grant date and is recognized as an expense in the income statement over the vesting period and the period of delivery of work. Subsequently, the fair value is not re-measured. The fair value of each warrant granted during the year is calculated using the Black Scholes pricing model. This pricing model requires the input of subjective assumptions such as:

The expected stock price volatility, which is based upon the historical volatility of Zealand's stock price;

The risk-free interest rate, which is determined as the interest rate on Danish government bonds (bullet issues) with a maturity of five years;

The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in current warrant program.

Deferred tax

Zealand recognizes deferred tax assets, including the tax base of tax loss carry-forwards, if management assesses that these tax assets can be offset against positive taxable income within a foreseeable future.

This judgment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives. The creation and development of therapeutic products within the biotechnology and pharmaceutical industry is subject to considerable risks and uncertainties. Zealand has so far reported significant losses, and as a consequence, has unused tax losses. Management has concluded, that deferred tax assets should not be recognized as of 31 December 2015. The tax assets are currently not deemed to meet the criteria for recognition as management is not able to provide any convincing positive evidence that deferred tax assets should be recognized.

Research and development

According to the IAS 38, "Intangible Assets," intangible assets arising from development projects should be recognized in the statement of financial position. The criteria that must be met for capitalization are that:

- The development project is clearly defined and identifiable and the attributable costs can be measured reliably during the development period;
- The technological feasibility, adequate resources to complete and a market for the product or an internal use of the product can be documented; and
- Management has the intent to produce and market the product or to use it internally.

Such an intangible asset should be recognized if sufficient certainty can be documented that the future income from the development project will exceed the aggregate cost of production, development and the sale and administration of the product. A development project involves a single product candidate undergoing a high number of tests to illustrate its safety profile and the effect on human beings prior to obtaining the necessary final approval of the product from the appropriate authorities. The future economic benefits associated with the individual development projects are dependent on obtaining such approval. Considering the significant risk and duration of the development period related to the development of biological products, management has concluded that the future economic benefits associated with the individual projects cannot be estimated with sufficient certainty until the project has been finalized and the necessary regulatory final approval of the product has been obtained. Accordingly, Zealand has not recognized such assets at this time and therefore all research and development costs are recognized in the income statement when incurred. The total research and development costs amounted to DKK 215.0 million in 2015 compared to DKK 180.0 million in 2014.

Notes.

Note 2 – Revenue

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Sanofi S.A.	136,600	81,191	0	81,191
Boehringer Ingelheim Int. GmbH	22,379	37,279	22,379	37,279
Helsinn Group	112	15,015	112	15,015
Total milestone payments	**159,091**	**133,485**	**22,491**	**133,485**
Sanofi S.A.	28,586	20,288	0	8,100
Total royalty income	**28,586**	**20,288**	**0**	**8,100**
Total revenue	**187,677**	**153,773**	**22,491**	**141,585**

All Zealand revenue can be attributed to other countries than Denmark.

ACCOUNTING POLICIES

Revenue comprises royalties and milestone payments. These revenues are recognized in accordance with the agreements and is recognized when it is probable that future economic benefits will flow to the group and these economic benefits can be measured reliably.

Royalty income from licenses is based on third-party sales of licensed products and is recognized in accordance with contract terms when third-party results are available and are deemed to be reliable.

The income from agreements with multiple components and where the individual components cannot be separated is recognized over the period of the agreement. In addition, recognition requires that all material risks and benefits related to the ownership of the goods and services included in the transaction are transferred to the purchaser.

If all risks and benefits have not been transferred, the revenue is recognized as deferred income until all components in the transaction have been completed.

Note 3 – Royalty expenses

In 2015, the royalty expenses are related to royalty from sales of Lyxumia® and milestone payments received from Sanofi S.A.

In 2014, the royalty expenses are related to royalty from sales of Lyxumia® received from Sanofi S.A. and milestone payments received from Sanofi S.A. and Helsinn Group.

ACCOUNTING POLICIES

Royalty expenses comprise royalty paid to third parties on certain milestone payments and royalty income from collaboration agreements.

Notes.

Note 4 – Research, development and administrative expenses

ACCOUNTING POLICIES

Research and development expenses

Research expenses comprise salaries, contributions to pension schemes and other expenses, including patent expenses, as well as depreciation and amortization attributable to the group's research activities. Research expenses are recognized in the income statement as incurred.

Development expenses comprise salaries, contributions to pension schemes and other expenses, including depreciation and amortization, attributable to the group's development activities.

Capitalization assumes that the development of the technology or the product in the group's opinion has been completed, that all necessary public registrations and marketing approvals have been received, and that expenses can be reliably measured. Furthermore, it has to be established that the technology or the product can be commercialized and that the future income from the product can cover, not only the production, selling and administrative expenses, but also development expenses. Currently, Zealand has not capitalized any development expenses.

Overhead expenses have been allocated to research and development based on the salaries to employees in research and development.

Administrative expenses

Administrative expenses include expenses for administrative personnel, expenses related to company premises, operating leases, investor relation, etc. Overhead expenses have been allocated to administration based on the salaires to employees in administration.

Note 5 – Other operating income

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Research funding	11,576	5,812	11,576	5,812
Government grants	1,252	516	1,252	516
Total other operating income	**12,828**	**6,328**	**12,828**	**6,328**

In 2015 and 2014, Zealand has, in addition to government grants, also received research funding from Boehringer Ingelheim International GmbH.

ACCOUNTING POLICIES

Other operating income comprises research funding from business partners and government grants. Research funding is recognized in the period where the research activities have been performed and government grants are recognized periodically when the work supported by the grant has been reported.

Government grants are recognized when a final and firm right to the grant has been obtained. Government grants are included in other operating income as the grants are considered to be cost refunds. Grants related to investments are set off against the purchase price.

Notes.

Note 6 – Financial income

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Interest income	139	719	132	720
Exchange rate adjustments	3,750	2,345	1,312	2,344
Total financial income	**3,889**	**3,064**	**1,444**	**3,064**

ACCOUNTING POLICIES

Financial income are recognized in the income statement with the amounts related to the financial year.

Financial income include interest receivable, as well as realized and unrealized exchange rate adjustments

Note 7 – Financial expenses

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Interest expenses, royalty bond	32,372	0	0	0
Amortization financing costs	9,689	0	0	0
Other interest expenses	333	2,017	306	64
Total financial expenses	**42,394**	**2,017**	**306**	**64**

ACCOUNTING POLICIES

Financial expenses are recognized in the income statement with the amounts related to the financial year. Financial expenses include interest payable, as well as realized and unrealized exchange rate adjustments.

Further, expenses related to the royalty financing are amortized over the expected duration of the bond and recognized as financial expenses.

Notes.

Note 8 – Tax expenses

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Net result for the year before tax	-119,832	-72,490	-221,648	-81,078
Tax rate	23.5%	24.5%	23.5%	24.5%
Expected tax expenses	-28,161	-17,760	-52,087	-19,864
Adjustment for non-deductible expenses	54	69	54	69
Adjustment for exercised warrant programs	-8,357	0	-8,357	0
Tax effect from subsidiaries	0	0	23,621	2,583
Reduction of corporate tax rate from 25% to 23.5%	1,557	1,180	1,557	1,131
Prior year adjustments	0	-1,375	0	-1,375
Tax effect on warrant programs	-318	0	0	0
Tax effect on expired warrant programs	6,500	0	6,500	0
Change in tax assets (not recognized)	22,849	10,386	22,837	9,956
Total tax expenses	**-5,875**	**-7,500**	**-5,875**	**-7,500**
Breakdown of unrecognized deferred tax assets:				
Tax losses carried forward (available indefinitely)	742,771	591,326	742,716	591,271
Research and development expenses	31,054	92,885	31,054	92,885
Rights	43,019	43,019	43,019	43,019
Non-current assets	57,543	51,329	57,543	51,329
Other	58,890	50,856	58,890	50,856
Total temporary differences	**933,277**	**829,415**	**933,222**	**829,360**
Tax rate	22%	22%	22%	22%
Calculated potential deferred tax asset at local tax rate	205,321	182,471	205,309	182,042
Write-down of deferred tax asset	-205,321	-182,471	-205,309	-182,042
Recognized deferred tax asset	**0**	**0**	**0**	**0**

As a consequence of tax losses from previous years, there are no deferred taxes. Deferred tax reductions (tax assets) has not been recognized in the statement of financial position due to uncertainty as to when and whether this can be utilized.

The deferred tax for the parent company include the tax positions of ZP Holding SPV K/S as well as ZP SPV 1 K/S, as these entities are transparent from a tax point of view. Hence the activity of these entities is subject to taxation in the parent company.

According to Danish tax legislation Zealand is eligible to receive DKK 5.9 million (6.3) in cash relating to the tax loss of 2015.

ACCOUNTING POLICIES

Tax on results for the year which comprises current tax and changes in deferred tax is recognized in the income statement with the portion of taxes related to the taxable income for the year whereas the portion attributable to entries on equity is recognized directly in equity.

Current tax liabilities and current tax receivables are recognized in the statement of financial position as tax calculated on the taxable income for the year adjusted for tax on previous years' taxable income and taxes paid on account/prepaid. Deferred tax is measured according to statement of financial position liability method in respect of temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax assets including the tax value of tax losses carry forward, are measured at the expected realizable value, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates in force at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax as a consequence of amendments to tax rates are recognized in the income statement.

Notes.

Note 9 – Basic and diluted earnings per share

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Net result for the year	-113,957	-64,990	-215,773	-73,578
Adjusted net profit/loss accruing to the company's ordinary shares	-113,957	-64,990	-215,773	-73,578
Average number of ordinary shares	24,203,657	23,193,047	24,203,657	23,193,047
Average number of treasury shares	-564,223	-564,223	-564,223	-564,223
Adjusted average number of ordinary shares outstanding	**23,639,434**	**22,628,824**	**23,639,434**	**22,628,824**
Basic earnings per share	**-4.82**	**-2.87**	**-9.13**	**-3.25**
Diluted earnings per share	**-4.82**	**-2.87**	**-9.13**	**-3.25**

ACCOUNTING POLICIES

Basic earnings per share

Basic earnings per share is calculated as the net result for the period that accrue to the parent company's ordinary shares divided by the weighted average number of ordinary shares outstanding.

Diluted earnings per share

Diluted earnings per share is calculated as the net result for the period that accrue to the parent company's ordinary shares divided by the weighted average number of ordinary shares outstanding adjusted by the dilutive effect of potential ordinary shares.

Note 10 – Property, plant and equipment

DKK '000	Plant and machinery	Other fixtures and fittings	Leasehold improve-ments	Fixed assets under construction
Cost at 1 January 2014	57,807	7,201	10,346	2,180
Additions	2,784	1,462	252	0
Transfers	2,180	0	0	-2,180
Cost at 31 December 2014	**62,771**	**8,663**	**10,598**	**0**
Depreciation at 1 January 2014	41,793	6,792	8,887	0
Depreciation for the year	4,984	298	650	0
Depreciation at 31 December 2014	**46,777**	**7,090**	**9,537**	**0**
Carrying amount at 31 December 2014	**15,994**	**1,573**	**1,060**	**0**
Depreciation for the financial year has been charged as:				
Research and development expenses	4,984	235	514	0
Administrative expenses	0	63	136	0
Total	**4,984**	**298**	**650**	**0**

Notes.

DKK '000	Plant and machinery	Other fixtures and fittings	Leasehold improve-ments	Fixed assets under construction
Cost at 1 January 2015	62,771	8,663	10,598	0
Additions	3,735	131	174	0
Transfers	0	0	0	0
Cost at 31 December 2015	**66,506**	**8,794**	**10,772**	**0**
Depreciation at 1 January 2015	46,777	7,090	9,537	0
Depreciation for the year	5,057	551	607	0
Reversal of impairment and depreciation on disposed assets	0	0	0	0
Depreciation at 31 December 2015	**51,834**	**7,641**	**10,144**	**0**
Carrying amount at 31 December 2015	**14,672**	**1,153**	**628**	**0**
Depreciation for the financial year has been charged as:				
Research and development expenses	5,057	413	455	0
Administrative expenses	0	138	152	0
Total	**5,057**	**551**	**607**	**0**

ACCOUNTING POLICIES

Plant and machinery, other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation.

Cost comprises acquisition price and costs directly related to acquisition until the time when the group starts using the asset.

The basis for depreciation is cost less estimated residual value after the end of useful life. Assets are depreciated under the straight-line method over the expected useful lives of the assets. The depreciation periods are as follows:

- Leasehold improvements 5 years
- Plant and machinery 5 years
- Other fixtures and fittings, tools and equipment 3–5 years

Profits and losses arising from disposal of plant and equipment are stated as the difference between the selling price less the selling costs and the carrying amount of the asset at the time of the disposal. Profits and losses are recognized in the income statement under research and development expenses and administrative expenses.

The carrying amount of property, plant and equipment as well as non-current asset investments is reviewed for impairment when events or changed conditions indicate that the carrying amount may not be recoverable. If there is such an indication, an impairment test is made. An impairment loss is recognized in the amount with which the carrying amount exceeds the recoverable amount of the asset, which is the higher of the net present value and the net selling price. In order to assess the impairment, the assets are grouped on the least identifiable group of assets that generates cash flows (cash flow generating units). Impairments are recognized in the income statement under the same items as the related depreciation and amortization.

Notes.

Note 11 – Investments in subsidiaries

DKK '000	Parent
Cost at 1 January 2014	0
Additions	380
Cost at 31 December 2014	**380**
Revaluation at 1 January 2014	0
Revaluation at 31 December 2014	**0**
Carrying amount at 31 December 2014	**380**
Cost at 1 January 2015	380
Additions	0
Cost at 31 December 2015	**380**
Revaluation at 1 January 2015	0
Revaluation at 31 December 2015	**0**
Carrying amount at 31 December 2015	**380**

Subsidiaries:
As a consequence of the royalty bond financing in December 2014 four new subsidiaries were established.

Name	Domicile	Ownership and votes 2015
Zealand Pharma A/S subsidiaries:		
ZP Holding SPV K/S	Denmark	100 %
ZP General Partner 1 ApS	Denmark	100 %
ZP Holding SPV K/S subsidiaries:		
ZP SPV 1 K/S	Denmark	100 %
ZP General Partner 2 ApS	Denmark	100 %

The management has in accordance with the Danish Financial Statements Act, §5, chosen to submit an exeption declaration ("undtagelseserklæring") in accordance with the Danish Financial Statements Act, 146:1, and has not issued Annual Reports for ZP SPV 1 K/S and ZP Holding SPV K/S.

The accounts of the two companies are fully consolidated in the consolidated financials statements of Zealand.

ACCOUNTING POLICIES

Investments in subsidiaries are measured at cost in the parent company's financial statements. Where the recoverable amount of the investment is lower than cost, the investments are written down to this lower value.

Notes.

Note 12 – Trade receivables

Trade receivables are mainly related to milestones and royalty from our collaboration agreements, and are due within 30 - 60 days. There are no overdue receivables and there is no provision for bad debts as no losses are expected on trade receivables.

Part of the receivables has been withheld by the German Tax Authorities (app. 15% royalty received on Lyxumia®), and is expected to be paid in 2016.

ACCOUNTING POLICIES

Trade receivables are provided against when objective evidence is received that the group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

Note 13 – Prepaid expenses

ACCOUNTING POLICIES

Prepaid expenses comprise incurred expenses related to the following financial year.

Note 14 – Other receivables

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Helmsley Charitable Trust (ZP4207)	4,592	0	4,592	0
Royalty income	15,366	0	0	0
Other	6,155	3,673	6,035	2,694
Total other receivables	**26,113**	**3,673**	**10,627**	**2,694**

Note 15 – Cash and cash equivalents

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
DKK	66,239	227,922	64,900	227,542
USD	306,296	280,215	30,744	19,081
EURO	46,261	8,712	45,139	8,712
Total cash and cash equivalents	**418,796**	**516,849**	**140,783**	**255,335**

Restricted cash: DKK 21.4 million (21.4) is restricted based on the royalty bond issuance agreement until the royalty bond has been fully repaid.

Notes.

Note 16 – Share capital and treasury shares

Changes in share capital ('000 shares)

Share capital at 31 December 2010	**22,871**
Capital increase at 12 December 2011	322
Share capital at 31 December 2014	**23,193**

Share capital at 1 January 2015	**23,193**
Capital increase at 21 March 2015	121
Capital increase at 11 April 2015	106
Capital increase at 2 June 2015	51
Capital increase at 20 June 2015	47
Capital increase at 8 September 2015	383
Capital increase at 26 September 2015	151
Capital increase at 4 November 2015	61
Capital increase at 13 November 2015	177
Capital increase at 4 December 2015	63
Share capital at 31 December 2015	**24,353**

The share capital consists of 24,352,769 (23,193,047) ordinary shares of DKK 1 each. All shares have been fully paid. Capital increases in 2015 relates to exercise of warrant programs.

At the end of 2015, treasury shares amounted to 564,223 (564,223), equivalent to 2.3% (2.4) of the share capital at 31 December. The number of treasury shares corresponds to a market value of DKK 85,479,785 (46,830,509) at 31 December. The full number of treasury shares have been purchased for DKK 1.7 million.

§ ACCOUNTING POLICIES

Purchase and sales prices as well as dividend from own shares are recognized directly under retained earnings under equity. Capital reductions by cancellation of own shares reduce the share capital by an amount equaling the nominal values of the shares. Profit from sale of own shares, respectively issue of shares in connection with exercise of warrants is entered directly on equity.

Note 17 – Royalty bond

In December 2014, Zealand established four subsidiaries in connection with the royalty bond issuance. Part of the establishment was a contribution/transfer from the parent of certain rights, including intellectual property rights to future royalty payments from the sale of Lyxumia® and LixiLan.

The principal amount, USD 50 million, is payable in full at 15 March 2026 if not redeemed before. It is possible for Zealand to make voluntary repayments as of 2016. Royalty payments in excess of interest payments are used for (and shall be used for) principal repayments of the notes at each payment date. Upon full repayment of the royalty bond, the right to future royalty payments belongs to Zealand.

See note 22 – Financial and operational risks, for information about due date, interests etc.

§ ACCOUNTING POLICIES

The royalty bond is measured at the time of borrowing at fair value less any transaction costs. The difference between the proceeds of the loan and the amount to be repaid is recognized in the income statement over the term of the loan as a financial expense using the effective interest method.

Notes.

Note 18 – Prepayments from customers

ACCOUNTING POLICIES

Prepayments from customers comprise not yet consumed prepayments relating to the research collaboration with Boehringer Ingelheim International GmbH.

Note 19 – Other liabilities

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Severance payment	613	18,802	613	18,802
Employee benefits	15,085	10,511	15,085	10,511
Provision for clinical study on ZP1609	0	4,432	0	4,432
Royalty to third-party	18,713	0	0	0
Interest, royalty bond	9,516	0	0	0
Other	1,812	5,143	1,723	1,906
Total other liabilities	**45,739**	**38,888**	**17,421**	**35,651**

ACCOUNTING POLICIES

Financial liabilities are recognized initially at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortized cost corresponding to the capitalized value using the effective interest method; consequently the difference between the proceeds and the nominal value is recognized in the income statement over the maturity period of the loan.

Other payables are measured at amortized cost corresponding to nominal value.

Note 20 – Lease commitments

DKK '000	2015	2014
Operating lease agreements:		
Within 1 year	3,940	4,376
2 to 5 years	1,241	908
Total	**5,181**	**5,284**

Operating lease agreements include rental agreement of building, company cars and office equipment.
The leases are subject to terms of interminability of between 6 and 60 months.
In 2015 DKK 7.6 million (7.8) was recognized in the income statement.

ACCOUNTING POLICIES

Lease agreements are classified as either financial or operating leases based on the criteria in IAS 17. Lease payments under operating leases and other rental agreements are recognized in the income statement over the term of the agreements.

Notes.

Note 21 – Information on staff and remuneration

DKK '000	2015	2014
The total staff salaries can be specified as follows:		
Salaries	105,336	98,740
Pension schemes	7,243	6,560
Other social security costs	10,752	8,763
Total	**123,331**	**114,063**
The amount is charged as:		
Research and development expenses	93,039	85,684
Administrative expenses	30,292	28,379
Total	**123,331**	**114,063**
Average number of employees	**110**	**103**

Average number of employees has been calculated based on ATP expenses.

DKK '000	Base board fee 2015	Other 2015	Total 2015	Base board fee 2014	Other 2014	Total 2014
Remuneration included above to the:						
Board of Directors						
Martin Nicklasson	450	0	450	0	0	0
Rosemary Crane	200	0	200	0	0	0
Catherine Moukheibir	250	0	250	0	0	0
Peter Benson	150	0	150	150	0	150
Alain Munoz	150	0	150	150	715	865
Michael Owen	150	0	150	150	0	150
Christian Thorkildsen[1]	150	0	150	150	0	150
Jens Peter Stenvang[1]	150	0	150	75	0	75
Helle Størum[1]	150	0	150	150	0	150
Daniel Ellens[2]	150	0	150	450	0	450
Jørgen Lindegaard[2]	150	0	150	375	0	375
Florian Reinaud[2]	13	0	13	150	0	150
Jutta af Rosenborg[3]	0	0	0	150	0	150
Hanne Heidenheim Bak[1 3]	0	0	0	75	0	75
Total	**2,113**	**0**	**2,113**	**2,025**	**715**	**2,740**

[1] The table only includes remuneration related to board work for the employee elected board members.
[2] The board members resigned from the board in 2015.
[3] The board members resigned from the board in 2014.

Notes.

2014 DKK '000	Base salary	Bonus	Pension contri-bution	Other benefits	Severance payment	Warrant compens. expenses	Total
Remuneration included above to the:							
Executive management							
David Solomon	6,079	0	304	238	16,440	0	23,061
Mats Blom	1,735	400	137	242	0	0	2,514
Total	**7,814**	**400**	**441**	**480**	**16,440**	**0**	**25,575**
Other senior management	5,382	1,083	535	540	2,362	2,105	12,007
Total	**5,382**	**1,083**	**535**	**540**	**2,362**	**2,105**	**12,007**
Total	**13,196**	**1,483**	**976**	**1,020**	**18,802**	**2,105**	**37,582**

2015 DKK '000	Base salary	Bonus	Pension contri-bution	Other benefits	Severance payment	Warrant compens. expenses	Total
Remuneration included above to the:							
Executive management							
Britt Meelby Jensen	3,353	0	335	190	0	3,163	7,041
Mats Blom	2,400	200	240	260	0	2,372	5,472
Total	**5,753**	**200**	**575**	**450**	**0**	**5,535**	**12,513**
Other senior management	8,776	928	877	1,101	353	3,321	15,356
Total	**8,776**	**928**	**877**	**1,101**	**353**	**3,321**	**15,356**
Total senior management	**14,529**	**1,128**	**1,452**	**1,551**	**353**	**8,856**	**27,869**

Other senior management in 2015 counts 6 members, including 3 members resigned during the year. Other senior management in 2014 counts 3 members.

Notes.

DKK '000	Program of 2010 02-Nov-10	Program of 2010 10-Feb-11	Program of 2010 17-Nov-11	Program of 2010 10-Feb-12	Program of 2010 19-Nov-12	Program of 2010 08-Feb-13	Program of 2010 01-Apr-14	Total
Number of warrants								
Outstanding as per 1 Jan. 2014	595.406	423.000	227.085	231.500	214.883	367.262	0	**2.059.136**
Granted during the year	0	0	0	0	0	0	100.000	**100.000**
Forfeited during the year	0	-20.000	0	-11.250	0	-23.750	0	**-55.000**
Exercised during the year	0	0	0	0	0	0	0	**0**
Expired during the year	0	0	0	0	0	0	0	**0**
Outstanding as per 31 December 2014	**595.406**	**403.000**	**227.085**	**220.250**	**214.883**	**343.512**	**100.000**	2.104.136
Specified as follows:								
Board of Directors	134,024	0	0	0	0	0	0	**134,024**
Executive management	327,358	0	165,047	0	152,845	67,012	100,000	**812,262**
Other employees	134,024	403,000	62,038	220,250	62,038	276,500	0	**1,157,850**
Total	**595,406**	**403,000**	**227,085**	**220,250**	**214,883**	**343,512**	**100,000**	2,104,136

Number of warrants								
Outstanding as per 1 Jan. 2015	595.406	403.000	227.085	220.250	214.883	343.512	100.000	**2.104.136**
Granted during the year	0	0	0	0	0	0	0	**0**
Forfeited during the year	0	-7.500	0	-3.750	0	-17.500	0	**-28.750**
Exercised during the year	-589.237	-383.900	-121.826	-64.759	0	0	0	**-1.159.722**
Expired during the year	-6.169	0	0	0	0	0	0	**-6.169**
Outstanding as per 31 December 2015	**0**	**11.600**	**105.259**	**151.741**	**214.883**	**326.012**	**100.000**	**909.495**
Specified as follows:								
Board of Directors	0	0	0	0	0	0	0	**0**
Executive management	0	0	31.019	0	31.019	0	0	**62.038**
Other employees	0	11.600	74.240	151.741	183.864	326.012	100.000	**847.457**
Total	**0**	**11.600**	**105.259**	**151.741**	**214.883**	**326.012**	**100.000**	**909.495**

Exercise period							
From	3-Nov-13	10-Feb-14	17-Nov-14	10-Feb-15	19-Nov-15	10-Feb-16	01-Apr-17
until	3-Nov-15	10-Feb-16	17-Nov-16	10-Feb-17	19-Nov-17	10-Feb-18	01-Apr-19
Black & Scholes parameters							
Term (months)	60	60	60	60	60	60	60
Volatility*	56%	33%	34%	44%	56%	39.3%	37.5%
Share price	86.0	70.0	45.70	70.0	86.0	79.50	69.0
Exercise price DKK	94.6	77.0	50.27	77.0	113.3	87.45	75.9
Dividend	not expected	not expected	not expected	not expected	not expected	not expected	not expected
Risk free interest rate	2.64%	3.09%	1.02%	0.37%	0.86%	0.66%	0.71%

** The volatility rate used is based on the actual volatility in the Zealand share price.*

Notes.

Programs granted in 2015:

DKK '000	Program of 2010 25-Mar-15	Program of 2010 5-May-15	Program of 2015 5-May-15	Program of 2015 5-May-15	Total
Number of warrants					
Outstanding as per 1 Jan. 2015	0	0	0	0	**0**
Granted during the year	100.000	46.359	100.000	366.250	**612.609**
Forfeited during the year	0	0	0	-3.000	**-3.000**
Exercised during the year	0	0	0	0	**0**
Expired during the year	0	0	0	0	**0**
Outstanding as per 31 December 2015	**100.000**	**46.359**	**100.000**	**363.250**	**609.609**
Specified as follows:					
Board of Directors	0	0	0	0	**0**
Executive management	0	0	100.000	75.000	**175.000**
Other employees	100.000	46.359	0	288.250	**434.609**
Total	**100.000**	**46.359**	**100.000**	**363.250**	**609.609**

Exercise period				
From	25-Mar-18	5-May-18	5-May-16	5-May-18
until	25-Mar-20	5-May-20	5-May-20	5-May-20
Black & Scholes parameters				
Term (months)	60	60	60	60
Volatility*	41.9%	43.7%	43.7%	43.7%
Share price	115.50	92.0	92.0	92.0
Exercise price DKK	127.05	101.2	101.2	101.2
Dividend	not expected	not expected	not expected	not expected
Risk free interest rate	-0,21%	-0,10%	-0,10%	-0,10%

** The volatility rate used is based on the actual volatility in the Zealand share price.*

Employee warrant programs

Employee warrant programs have been established, which have to be settled in the enterprise's equity instruments, and are offered to a number of employees and the executive management. Incentive programs were offered in 2005, 2007, 2009-2015.

The 2010 employee warrant program

The program was established in 2010 for the Board of Directors, executive management, employees and consultants of Zealand.

The Board of Directors is authorized to issue up to 2,750,000 warrants until 2 November 2015. The program has expired and a total of 2,355,495 warrants have been granted. By December 31, 2015 1,159,722 warrants have been exercised and the total proceeds amount to DKK 96.4 million. Per December 31, 2015 1,055,084 warrants can still be exercised.

Notes.

The 2015 employee warrant program

The program was established in 2015 for the executive management and employees of Zealand.
The Board of Directors is authorized to issue up to 2,750,000 warrants until 20 April 2020. By December 31, 2015 2,283,750 warrants of the authorization have not yet been granted. Per December 31, 2015 463,250 warrants can be exercised.

Effect on income statement

In 2015 the fair value of warrants recognized in the income statement amounts to DKK 16.9 million (1.7) of which DKK 5.5 million (0.0) relates to the executive management. Further, costs for the warrant programs have been adjusted at the end of the year by DKK 0.2 million (0.4) due to actual attrition rate.

DKK '000	2015	2014
The amount is charged as:		
Research and development expenses	9.504	1.764
Administrative expenses	7.443	-90
Total	**16.947**	**1.674**

ACCOUNTING POLICIES

The value of services received as consideration for granted warrants is measured at the fair value of the warrant. The fair value is determined at the grant date and is recognized in the income statement as staff costs over the period in which the final right to the warrant is obtained. The contra entry to this is recognized under equity. In connection with the initial recognition of the warrants, an estimate is made of the number of warrants that the employees are expected to obtain rights to. Subsequently, an adjustment is made for changes in the estimate of the number of shares that the employees have obtained rights to so the total recognition is based on the actual number of shares that the employees have obtained rights to. The fair value of the granted options is estimated by application of the Black and Scholes pricing model.

Notes.

Note 22 – Financial and operational risks

The goal of Zealand's financial policy is to create a set of general guidelines for the financial risk management in order to reduce the group's sensitivity towards fluctuations in exchange rates, interest rates, credit rating and liquidity.

Zealand's financial policy has been endorsed by Zealand's audit committee and ultimately approved by Zealand's Board of Directors.

Zealand is a biopharmaceutical company with revenues consisting of royalties, up-front payments and milestones received as part of Zealand's partnering activities. Zealand receives milestone payments from its current partners in USD and EUR and royalty payments in EUR.

Zealand is mainly exposed to research and development expenditures. In addition Zealand has an USD loan as well as a significant cash position, as such Zealand is exposed to various financial risks, which among other relate to foreign exchange rate risk, interest rate risk, credit risk and liquidity risk.

Exchange rate risk

Most of Zealand's financial transactions are made in DKK, USD and EUR.

The EUR/DKK exchange rate has politically been fixed within very narrow limits and Zealand has evaluated that there are no transaction exposure or exchange rate risk regarding transactions in EUR. Although there has been some pressure on the DKK, Zealand does not expect the EUR/DKK exchange rate to be changed.

Zealand's milestone payments have been agreed in foreign currency, USD and EUR. However, as milestone payments are unpredictable in terms of timing, the payments are not included in the basic exchange risk evaluation.

As Zealand from time to time conduct clinical trials and toxicology studies in the US, Zealand will be exposed to the exchange rate fluctuation and risks associated with transactions in USD. Zealand's policy has up until now been to manage the transaction and translation risk associated with the USD passively, placing the revenues received from milestone payments in USD on an USD account for future payment of Zealand's expenses denominated in USD, covering payments for the next 12 – 24 months, hereby matching Zealand's assets with its liabilities.

In December 2014, Zealand issued a royalty bond of USD 50 million and created a large exposure against the USD. In order to hedge against this Zealand intend to hold a similar portion of its cash position in USD.

By 31 December 2015 Zealand holds USD 48.0 million in cash, while the value of the royalty bond is USD 50.0 million.

Interest rate risk

Zealand has the policy to avoid any financial instrument which exposes the group to any unwanted financial risk. Zealand does not speculate in the underlying trends in the basic economy.

The royalty bond has a fixed interest rate of 9.375%.

Zealand invests its free cash in fixed rate, time defined bank deposits. During 2015, interest rates have been negative on bank deposits in DKK and EUR.

Credit risks

Zealand is exposed to credit risks in respect of receivables and bank balances. The maximum credit risk corresponds to the carrying amount. Management believes that credit risk is limited as counter parties to the accounts receivables are large global pharmaceutical companies.

Cash is not deemed to be subject to any credit risks, as the counterparts are banks with investment grade ratings. (i.e BBB- or higher by Standard&Poors).

Liquidity risk

The purpose of Zealand's cash management is to ensure that the group at all times has sufficient and flexible financial resources at its disposal.

Zealand's short-term liquidity situation is matched with Zealand's quarterly budget revisions to balance the demand for liquidity and maximize Zealand's interest income by matching Zealand's free cash in fixed rate, time defined bank deposits with Zealand's expected future cash burn.

Capital structure

It is Zealand's aim to have an adequate capital structure in relation to the underlying operating results and R&D projects, so that it is always possible to provide sufficient capital to support operations and its long term growth targets.

The Board of Directors finds that the current capital and share structure is appropriate to the shareholders and to the group.

	2015 Fluctuation	2015 Effect	2014 Fluctuation	2014 Effect
USD	+/- 10%	6,574	+/- 10%	10,399
Interest rate	+/- 100 basis point	4,735	+/- 100 basis point	3,074

The table shows the effect on the profit/loss and equity of probable changes in the financial variables on the statement of financial position.

Liquidity risk

A breakdown of the group and parent company's aggregate liquidity risk on financial assets and liabilities is given below:

DKK '000	<6 months	6<12 months	1-5 years	Total*	Carrying amount/ Fair value**
Group					
At amortized cost					
Trade and other creditors	18,487	0	0	18,487	18,487
Royalty bond	0	5,000	267,170	272,170	272,170
Other liabilities	38,888	0	0	38,888	38,888
Total financial liabilities at 31 December 2014	**57,375**	**5,000**	**267,170**	**329,545**	**329,545**
At amortized cost					
Trade and other creditors	21,676	0	0	21,676	21,676
Royalty bond	0	0	341,486	341,486	341,486
Interests, royalty bond	0	32,000	76,000	108,000	108,000
Other liabilities	45,739	0	0	45,739	45,739
Total financial liabilities at 31 December 2015	**67,415**	**32,000**	**417,486**	**516,901**	**516,901**

DKK '000	<6 months	6<12 months	1-5 years	Total*	Carrying amount/ Fair value**
Parent					
At amortized cost					
Trade and other creditors	18,487	0	0	18,487	18,487
Other liabilities	35,651	0	0	35,651	35,651
Total financial liabilities at 31 December 2014	**54,138**	**0**	**0**	**54,138**	**54,138**
At amortized cost					
Trade and other creditors	21,580	0	0	21,580	21,580
Other liabilities	17,421	0	0	17,421	17,4211
Total financial liabilities at 31 December 2015	**39,001**	**0**	**0**	**39,001**	**39,001**

* *All cash flows are non-discounted and include all liabilities under contracts.*

** *The fair value of financial liabilities is determined as the discounted cash flows based on the market rates and credit conditions at the balance sheet date.*

Interests on royalty bond is calculated on basis of the fixed interest rate 9.375% and the expected payback time.

Notes.

We expect interest payment next year of DKK 32 million on the royalty bond (interest rate 9.375%).
See the cash flow statement for a specification of capital resources as of 31 December 2015 and 2014.

Fair value measurement of financial instruments

The fair value of the royalty bond disclosed in the note is based on Level 3 in the fair value hierarchy.
The fair value of the royalty bond is based on amortized costs.
In 2015 and 2014 there are no financial instruments carried at fair value.

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Categories of financial instruments	**0**	**0**	**0**	**0**
Trade receivables	141,120	25,031	313	12,843
Receivable from subsidiaries	0	0	3,549	11,727
Tax receivable	5,875	6,250	5,875	6,250
Other recivables	26,113	3,673	10,627	2,694
Prepaid expenses	2,262	2,209	2,242	2,209
Cash restricted	21,403	21,424	0	0
Cash and cash equivalents	418,796	516,849	140,783	255,335
Loans and receivables	**615,569**	**575,436**	**163,389**	**291,058**
Royalty bond	312,951	272,170	0	0
Trade payables	21,676	18,487	21,580	18,487
Prepayment from customers	2,091	14,383	2,063	14,383
Other liabilities	45,739	38,888	17,421	35,651
Financial liabilities measured at amortized cost	**382,457**	**343,928**	**41,064**	**68,521**

Notes.

Note 23 – Related parties

Zealand has no related parties with controlling interest.

Zealand's related parties with significant influence comprise of the company's Board of Directors and senior management.

Transactions with related parties

Compensation to the Board of Directors and senior management is described in note 21.

No further transactions with related parties were conducted during the year. In 2014, transactions with the Board of Directors for consultancy fee amounted to DKK 0.7 million.

Zealand has in 2014, contributed all IP and rights relating to the agreement with Sanofi to its fully owned subsidiary ZP Holding SPV K/S. ZP Holding SPV K/S has then sold and contributed rights to 86.5% of the future annual royalties relating to lixisenatide as stand-alone product and certain milestones to a second 100% owned subsidiary, ZP SPV 1 K/S. No gain has been recognized in the separate financial statements of Zealand and costs of the subsidiaries are the carrying amount of the assets contributed to the subsidiaries, i.e. the nominal value of cash contribution and nil with respect of the contribution of the intellectual property as the intellectual property was not recognized in the financial statements of Zealand before the transactions.

ZP SPV 1 K/S has then issued a royalty bond against these assets. The purpose of this structure is to make the royalty bond non-recourse to Zealand and at the same time protect the bond investors from a parent company bankruptcy.

Zealand has receivables from group companies of DKK 3.6 (11.7) million at year end.

Ownership

The following shareholders are registered in Zealand's register of shareholders as being the owners of minimum 5% of the voting rights or minimum 5% of the share capital (1 share equals 1 vote):

Sunstone BI Funds and Life Science Ventures Fund, Copenhagen, Denmark
LD Pension (Lønmodtagernes Dyrtidsfond), Copenhagen, Denmark
Legg Mason (Royce) Inc., Maryland, US

Note 24– Adjustments

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Depreciation	6,215	5,932	6,215	5,932
Warrants compensation expenses	16,947	1,674	16,947	1,674
Financial income	-3,889	-3,064	-1,444	-3,064
Financial expenses	42,394	2,017	306	64
Exchange rate adjustments	-18,114	0	-1,310	0
Total adjustments	**43,553**	**6,559**	**20,714**	**4,606**

Notes.

Note 25 – Change in working capital

DKK '000	Group 2015	Group 2014	Parent 2015	Parent 2014
Change in receivables	-215,594	-25,467	6,631	-24,027
Increase in payables	76,723	40,988	-27,458	37,749
Change in working capital	**-138,871**	**15,521**	**-20,827**	**13,722**

Note 26 – Fees to auditors appointed at the Annual General Meeting

DKK '000	2015	2014
Audit	315	400
Other assurance engagements	30	61
Tax advice	104	818
Non-audit services	29	677
Total fees	**478**	**1,956**

Note 27 – Significant events after the balance sheet date

No events have occurred after the balance sheet date of importance to the consolidated financial statements.

Statement of the Board of Directors and executive management.

Today the Board of Directors and executive management have discussed and approved the Annual Report of Zealand Pharma A/S for the financial year 1 January – 31 December 2015.

The consolidated financial statements and parent financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

We consider the accounting policies used to be appropriate. In our opinion the financial statements give a true and fair view of the Group and the Parent's financial position as of 31 December 2015 and of the results of the Group and Parents operations and cash flows for the financial year 1 January – 31 December 2015.

In our opinion the management's review includes a fair review about the development of the Group and Parent's operations and economical conditions, the results for the year and the Group and Parent's financial position as well as a review of the more significant risks and uncertainty the Group and Parent faces, in accordance with the Danish disclosure requirements for listed companies.

We recommend that the Annual Report be approved at the Annual General Meeting.

Glostrup, 16 March 2016

Executive management

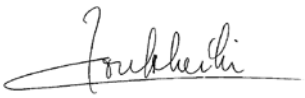
Britt Meelby Jensen
President and
Chief Executive Officer

Mats Blom
Senior Vice President and
Chief Financial Officer

Board of Directors

Martin Nicklasson
Chairman

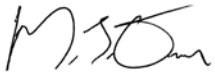
Rosemary Crane
Vice Chairman



Catherine Moukheibir
Board member

Alain Munoz
Board member

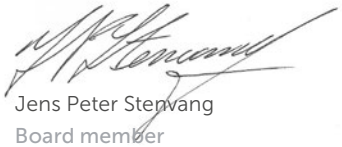
Peter Benson
Board member



Michael J. Owen
Board member

Christian Thorkildsen
Board member
Employee elected

Helle Størum
Board member
Employee elected



Jens Peter Stenvang
Board member
Employee elected

Independent auditors report.

To the shareholders of Zealand Pharma A/S

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of Zealand Pharma A/S for the financial year 1 January – 31 December 2015, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2015, and of the results of their operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 16 March 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no.: 33 96 35 56

Martin Faarborg
State Authorised
Public Accountant

Flemming Larsen
State Authorised
Public Accountant

Company information.

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CVR no.: 20 04 50 78

Established
1 April 1997

Registered office
Albertslund

Auditors
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no.: 33 96 35 56

Design and production: In-Mind Design

ANNUAL REPORT 2015

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