

Annual report 2021

ZP SPV 1 K/S

Sydmarken 11
DK-2860 Søborg

Central Business Registration No. 36407727

The Annual General Meeting adopted the annual report on 29 June 2022.

Chairman of the General Meeting

Hans-Christian Lund
Legal Counsel

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Entity details

Entity

ZP SPV 1 K/S

Sydmarken 11

DK-2860 Søborg

Central Business Registration No. 36407727

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General Partner

ZP General Partner 2 ApS

Executive Board

Adam Steensberg, President and Chief Executive Officer

Matthew Dallas, Chief Financial Officer

Company auditors

EY Godkendt Revisionspartnerselskab

Central Business Registration No. 30700228

Statement by Management on the annual report

The Executive Board has today discussed and approved the annual report of ZP SPV 1 K/S for the financial period 1 January - 31 December 2021.

The annual report has been presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of its operations for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend the annual report for adoption at the Annual General Meeting.

Søborg, 29 June 2022

Executive Board

Adam Steensberg
President and Chief Executive Officer

Matthew Dallas
Chief Financial Officer

Independent auditor's report

To the shareholder of ZP SPV 1 K/S

Opinion

We have audited the financial statements of ZP SPV 1 K/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 June 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Rasmus Bloch Jespersen
State Authorised
Public Accountant
mne35503

Management review

Primary activities

The objective of the Limited Partnership is to own (directly or indirectly) rights in or to pharmaceutical products, including IP rights, royalty payments, milestone payments or other payments deriving from such products. The Limited Partnership's objective shall moreover be to conclude contracts related to such pharmaceutical products, IP rights and/or economical rights.

Financial review

The income statement for 2021 shows a profit for the year of USD 4,460 thousand against a loss USD 37 thousand last year, and the balance sheet at 31 December 2021 shows equity of USD 4,400 thousand.

During 2021 management concluded that the fee charged by the General Partner to the Limited Partner has been overstated in prior years. For more information, please refer to accounting policies.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Accounting policies

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The functional currency for the Company is Danish Kroner. The financial statements are presented in US dollar (USD). The exchange rate at 31 December 2021 was DKK/USD 6.5612 (31 December 2020: DKK/USD 6.0576).

Prior years' misstatement

During 2021 it was identified that prior years' fee charged by the General Partner to the Limited Partner has been calculated using the Limited Partners equity as a basis instead of the General Partners and thus is overstated. Management has assessed the misstatement to be material and has as a result restated the comparative numbers for 2020.

The impact on the reported figures for 2020 is shown in the table below:

USD'000	Reported 2020	Adjustment 2020	Adjusted reporting 2020
Administrative expenses	-41	-5	-36
Retained earnings	-103,931	13	-103,918
Intercompany payables	16	-13	3

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses. Non-current assets acquired in foreign currency are measured at the exchange rate at the transaction date.

Accounting policies

Income statement

Administrative expenses

Administrative expenses comprise expenses relating to administration, accounting, audit, and legal, etc.

Financial income

Financial income is recognized in the income statement in the period in which it is earned.

Financial income includes interest from trade receivables, as well as realized and unrealized exchange rate adjustments.

Financial expenses

Financial expenses are recognized in the income statement in the period in which they are incurred.

Financial expenses include interest expenses, as well as realized and unrealized exchange rate adjustments. Furthermore, expenses related to the royalty bond are amortized over the expected duration of the bond and recognized as financial expenses.

Income tax

The Limited Partnership is tax transparent. The financial statements do not include tax because the limited partners take its profits or losses from the Company into its own taxable income statement.

Balance sheet

Cash

Cash comprise cash in banks.

Liabilities

Financial liabilities comprising trade payables and payables to group entities are initially recognized at cost. In subsequent periods, financial liabilities are measured at amortised cost. Other liabilities are measured at net realisable value.

Income statement

For the period 1 January – 31 December

USD'000	<u>Notes</u>	<u>2021</u>	<u>2020 (restated)</u>
Revenue		4,216	0
Gross Margin		0	0
Administrative expenses		-47	-36
Operating loss		4,169	-36
Financial income		350	0
Financial expenses		-59	-1
Result for the year		4,460	-37
Proposed distribution of loss for the year			
Retained earnings		4,460	-37
		<u>4,460</u>	<u>-37</u>

Balance sheet

At 31 December

USD'000

Assets

	<u>Notes</u>	<u>2021</u>	<u>2020 (restated)</u>
Other receivables		9	0
Cash		<u>4,421</u>	<u>162</u>
Total assets		<u>4,430</u>	<u>162</u>

USD'000

Equity and liabilities

	<u>Notes</u>	<u>2021</u>	<u>2020 (restated)</u>
Limited partnership share capital	1,2	46	50
Share premium		96,019	104,002
Retained earnings	2	<u>-91,665</u>	<u>-103,919</u>
Total equity	2	<u>4,400</u>	<u>133</u>
Trade payables		0	4
Intercompany payables		27	3
Other liabilities		<u>3</u>	<u>22</u>
Total current liabilities		<u>30</u>	<u>29</u>
Total equity and liabilities		<u>4,430</u>	<u>162</u>

Notes

1. Limited partnership

Limited partnership capital consists of 300,000 shares of nominal DKK 1.00 per share. The shares have not been divided into classes. There has been no change in contributed capital in 2021 and 2020.

2. Equity

USD'000	Limited partnership share capital	Share premium	Retained earnings	Total
Equity at 1 January 2021	50	104,001	-103,931	120
Net effect from adjustment of material misstatements	0	0	13	13
Adjusted equity at 1 January 2021	50	104,001	-103,918	133
Currency translation	-4	-7,982	7,793	-193
Net profit for the period	0	0	4,460	4,460
Equity at 31 December 2021	46	96,019	-91,665	4,400
Equity at 1 January 2020	45	93,729	-93,623	151
Net effect from adjustment of material misstatements	0	0	5	5
Adjusted equity at 1 January 2020	45	93,729	-93,618	156
Currency translation	5	10,272	-10,263	14
Net loss for the period	0	0	-37	-37
Equity at 31 December 2020	50	104,001	-103,918	133

3. Ownership

The company is owned 100% by Zealand Pharma A/S (Central Business Registration No. 20045078). The consolidated financial statements of Zealand Pharma A/S can be retrieved at the following link: <https://www.zealandpharma.com/s/Annual-Report-for-2021.pdf>

4. Collateral provided

In connection with a contract with a collaboration partner, the company has accepted to enter a general collateral restriction over the company's assets.