

ZP SPV 3 K/S

Annual report for the period

1 January 2022 – 31 December 2022

ZP SPV 3 K/S

Sydmarken 11
DK-2860 Søborg

Central Business Registration No. 41038039

The Annual General Meeting adopted the annual report on 22 May 2023.

Chairman of the General Meeting



Hans-Christian Lund
Legal Counsel

ZP SPV 3 K/S

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ZP SPV 3 K/S

Entity details

Entity

ZP SPV 3 K/S

Sydmarken 11

DK-2860 Søborg

Central Business Registration No. 41038039

Phone: +45 88 77 36 00

Internet: www.zealandpharma.com

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General Partner

ZP General Partner 3 ApS

Executive Board

Adam Steensberg, President and Chief Executive Officer

Henriette Wennicke, Chief Financial Officer

Company auditors

EY Godkendt Revisionspartnerselskab

Central Business Registration No. 30700228

ZP SPV 3 K/S

Statement by Management on the annual report

The Executive Board has today discussed and approved the annual report of ZP SPV 3 K/S for the financial period 1 January 2022 to 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2022 and of the results of its operations for the financial period 1 January 2022 to 31 December 2022.

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, 22 May 2023

Executive Board

DocuSigned by:

Adam Steensberg

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Adam Steensberg
President and Chief Executive Officer

DocuSigned by:

Henriette Wennicke

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Henriette Wennicke
Chief Financial Officer

ZP SPV 3 K/S

Independent auditor's report

To the shareholders of ZP SPV 3 K/S

Opinion

We have audited the financial statements of ZP SPV 3 K/S for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet 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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 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.

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.

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Independent auditor's report

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:

- 1 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.
- 2 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.
- 3 Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- 4 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.
- 5 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.

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, 22 May 2023
EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Rasmus Block Jørgensen
State Authorised Public Accountant
mne35503

ZP SPV 3 K/S

Management commentary

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 2022 shows a loss of the year of DKK 1.791 thousand and the balance sheet at 31 December 2022 shows equity of DKK 35.173 thousand. The decrease in the year's result compared to last year is primarily due to research and development expenses.

Change in presentation currency - correction of prior period material misstatement

In prior financial years, the company has presented its financial statements in US dollar (USD). Since the underlying bookkeeping records are prepared in Danish Kroner (DKK), presentation of financial statements in USD is a deviation from the currency presentation requirements of the Danish Financial Statements Act. Consequently, in 2022, the Company has changed the currency in which it presents its financial statements from USD to DKK. The change has been treated as a correction of prior period material misstatements.

The comparative figures for 2021 have been restated with retrospective effect. The restatement in presentation currency impacts all financial statement items whereby all amounts previously presented in USD are now presented in DKK. As result of the restatement total assets, total liability, and total shareholder's equity as of 31 December 2021, previously reported at USD 6.934 thousand, USD 1.300 thousand, and USD 5.634 thousand, respectively, have in these financial statements been reported at DKK 45.493 thousand, DKK 8.529 thousand, and 36.964 thousand, respectively. Result for the year 2021, previously reported at USD 50 thousand, has in these financial statements been reported at DKK 319 thousand. The opening equity as of 1 January 2021, previously reported at USD 6.050 thousand, is in these financial statements reported at DKK 36.646 thousand.

Events after the balance sheet date

No significant events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

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Accounting policies

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

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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**Recognition and measurement**

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

ZP SPV 3 K/S

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue comprise license revenue. License revenue is recognized on a straight-line basis over the license period in accordance with the contract entered into.

Revenue is measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Research and development expenses

Research and development expenses comprise fees for research and development services rendered by Zealand Pharma A/S. Research and development expenses are recognized in the income statement in the period in which they are incurred.

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.

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Accounting policies

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Intangible rights are subsequently measured at cost less accumulated amortization. Intangible rights are amortized over the remaining useful life of the asset.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized using the straight-line method over the useful economic life.

The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement.

Amortization of IP rights is deferred until market approval of the underlying asset has been received from regulatory authorities and the IP rights are available for use.

Patents rights are being amortized over the patent lifetime.

Impairment of non-current assets

The carrying amount of intangible assets is tested annually for evidence of impairment other than the decrease in value reflected by amortization.

Impairment tests are conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset.

Previously recognized impairment losses are reversed when the reason for recognition no longer exists.

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 amortized cost. Other liabilities are measured at net realizable value.

ZP SPV 3 K/S**Income statement***For the period 1 January – 31 December*

<i>DKK'000</i>	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Revenue		37.755	10.133
Gross margin		37.755	10.133
Research and development expenses		-38.756	-9.757
Administrative expenses		-727	-24
Operating profit/loss		-1.728	352
Financial income		10	3
Financial expense		-73	-36
Profit/loss for the year		-1.791	319
Proposed distribution of profit/loss of the year			
Retained earnings		-1.791	319
		-1.791	319

ZP SPV 3 K/S**Balance sheet***At 31 December**DKK'000*

Assets	Notes	2022	2021
Intangible assets	1	35.496	35.496
Total Intangible assets		35.496	35.496
Current assets			
Trade receivables		3	0
Intercompany receivables		2.375	0
Other receivable		0	8.850
Cash		617	1.147
Total current assets		2.995	9.997
Total assets		38.491	45.493

Equity and liabilities	Notes	2022	2021
Limited partnership share capital	2,3	200	200
Share premium		35.396	35.396
Retained earnings		-422	1.369
Total equity		35.174	36.965
Intercompany payable		2.992	8.013
Other liabilities		325	515
Total short-term liabilities		3.317	8.528
Total liabilities		3.317	8.528
Total equity and liabilities		38.491	45.493

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Notes**1. Intangible asset, IP rights**

DKK'000	<u>2022</u>	<u>2021</u>
Cost at beginning of period	35.496	35.496
Addition	<u>0</u>	<u>0</u>
Cost at 31 December	<u>35.496</u>	<u>35.496</u>

In 2020, the parent company, Zealand Pharma A/S, in the form of contribution in kind, transferred IP rights relating to the Alexion Pharmaceutical agreement to, ZP SPV 3 K/S.

2. Limited partnership

Limited partnership capital consists of 200,000 shares of nominal DKK 1.00 per share. The shares have not been divided into classes.

ZP SPV 3 K/S**3. Equity**

Equity USD'000	Limited partnership share capital	Share premium	Retained earnings	Total
Equity at 1 January 2021 presented in USD'000	33	5.843	174	6.050
<i>Correction of prior year misstatement - opening balance</i> presented in DKK'000	200	35.396	1.050	36.646
Equity at 1 January 2021 presented in DKK'000	200	35.396	1.050	36.646

Equity DKK'000	Limited partnership share capital	Share premium	Retained earnings	Total
Equity at 1 January 2021	200	35.396	1.050	36.646
Net profit for the period	0	0	319	319
Equity at 31 December 2021	200	35.396	1.369	36.965
Equity at 1 January 2022	200	35.396	1.369	36.965
Net profit for the period	0	0	-1.791	-1.791
Equity at 31 December 2022	200	35.396	-422	35.173

4. 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/wp-content/uploads/2023/03/Zealand_Pharma-2022-Annual_Report.pdf