

Annual report 2021

For the period 1 January 2021 – 31 December 2021

ZP SPV 3 K/S

Sydmarken 11
DK-2860 Søborg

Central Business Registration No. 41038039

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 3 K/S

Sydmarken 11

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General Partner

ZP General Partner 3 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 3 K/S for the financial period 1 January 2021 - 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 2021 - 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 3 K/S

Opinion

We have audited the financial statements of ZP SPV 3 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 rights to in or to pharmaceutical products, including IP rights, or to 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.

Zealand and Alexion have entered into a collaborative research and license agreement and per the agreement the IP rights are transferred into a limited partnership.

Development in activities and finances

In 2020, IP rights of USD 5,860 thousand was transferred from the Parent Company, Zealand Pharma A/S to ZP SPV 3 K/S, which was converted into share premium.

The income statement for 2021 shows a profit of the year of USD 50 thousand and the balance sheet at 31 December 2021 shows equity of USD 5,634 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.

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)

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 recognised 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 recognised in the latest financial statements is recognised 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.

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	-284	-280	-4
Retained earnings	-129	305	174
Intercompany payables	1686	-305	1,381

Accounting policies

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

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Intangible rights are subsequently measured at cost less accumulated amortisation. 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 life time.

Accounting policies

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 amortisation.

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 amortised cost. Other liabilities are measured at net realisable value.

Income statement

For the period 1 January 2021 – 31 December 2021

<i>USD'000</i>	Notes	<u>2021</u>	<u>2019/2020 (restated)</u>
Revenue		1,610	1,300
Gross Margin		1,610	1,300
Research and development expenses		-1,550	-1,135
Administrative expenses		-4	-4
Operating profit/loss		56	161
Financial income		0	0
Financial expenses		-6	0
Net result for the period		50	161
Proposed distribution of profit/loss for the year			
Retained earnings		50	161
		50	161

Balance sheet*At 31 December 2021**USD'000*

Assets	Notes	2021	2020 (restated)
Intangible assets	1	5,410	5,860
Total Intangible assets		5,410	5,860
Current assets			
Intercompany		0	1,401
Other receivables		1,349	190
Cash		175	37
Total current assets		1,524	1,628
Total assets		6,934	7,488
Equity and liabilities	Notes	2021	2020 (restated)
Limited partnership share capital	2,3	30	33
Share premium	2,3	5,395	5843
Retained earnings	3	209	174
Total equity		5,634	6,050
Trade payables		0	57
Intercompany payables		1,221	1,381
Other liabilities		79	0
Total short-term liabilities		1,300	1,438
Total liabilities		1,300	1,438
Total equity and liabilities		6,934	7,488

Notes

1. Intangible asset, IP rights

USD'000	<u>2021</u>	<u>2020</u>
Cost at beginning of period	5,860	0
Currency translation	-450	0
Addition	<u>0</u>	<u>5,860</u>
Cost at 31 December 2021	<u>5,410</u>	<u>5,860</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 share capital

The limited partnership share capital consists of 200,000 shares at DKK 1.00. The shares have not been divided into classes.

3. Equity

USD'000	Limited partnership share capital	Share premium	Retained earnings	Total
Equity at 1 January 2021	33	5,843	-129	5,745
Net effect from adjustment of material misstatements	0	0	305	305
Adjusted equity at 1 January 2021	33	5,843	174	6,050
Currency translation	-3	-448	-15	-466
Net profit for the period	0	0	50	50
Equity at 31 December 2021	30	5,395	209	5,634

USD'000	Limited partnership share capital	Share premium	Retained earnings	Total
Equity upon formation of the company at 9 December 2019	15	0	0	15
Currency translation	3	647	13	663
Patents and IP rights contributed in kind	15	5,196	0	5,211
Net profit for the period	0	0	161	161
Equity at 31 December 2020	33	5,843	174	6,050

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/s/Annual-Report-for-2021.pdf>