ZEALAND PHARMA

Annual Report 2022.

Company reg. no. 20045078

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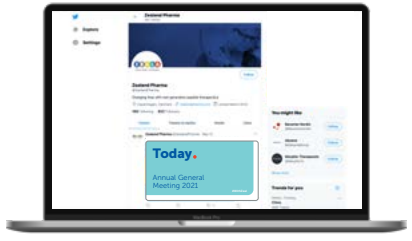


Overview.

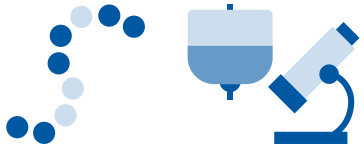
Zealand Pharma in short.

Our mission is to change lives with next generation peptide therapeutics.

Find out more about Zealand at
zealandpharma.com/about-us

Our ambition

to be the leading peptide drug discovery and development company.



Our peptide expertise

and platform has been built during our 25-year history and is the foundation that has enabled us to develop a broad pipeline of both clinical and pre-clinical programs. We discovered and developed two novel peptide therapies that are marketed (with our partners Sanofi and Novo Nordisk).

Our aim

to lead in rare diseases with high unmet need:

Congenital Hyperinsulinism and Short Bowel Syndrome

to be a key player in the fast developing obesity treatment space

to create a paradigm shift in Type 1 Diabetes management

to advance potential treatments options for chronic inflammatory diseases

Our strategy

to pursue global co-development and commercialization partnerships that complement and extend our capabilities to deliver new therapies to patients with unmet medical needs.

1998

Our company

was founded in 1998 and headquartered in Copenhagen, with 207 full and part time employees globally at end of 2022.

Our DNA

defines our values and unique company culture .

We are bold.

We empower people.

We work as one team.

We can be trusted.

Letter from the CEO and the Chairman.

In 2022, we announced a change in strategy to prioritize investment in peptide R&D and scale back commercial operations. Our core strength as a company is in therapeutic peptide design and development, which has led to our rich pipeline of promising candidates targeting rare diseases, obesity and inflammation. We have demonstrated our ability to independently bring a product from discovery to market through our launch of Zegalogue® in the U.S. We have also recognized that to reach more patients in more regions around the world we should partner with global and regional leaders.

Martin Nicklasson
Chairman of
the Board of Directors

Adam Steensberg
President and
Chief Executive Officer

Advancing our R&D pipeline

We have achieved significant progress with our R&D pipeline. During 2022 we reported positive results from two of our late-stage clinical programs evaluating our novel peptide therapies for the treatment of rare diseases. The first was for dasiglucagon in infants with congenital hyperinsulinism (CHI), an ultrarare pediatric disease in which patients suffer from recurrent and persistent hypoglycemia due to excess insulin release. The findings from our Phase 3 program have deepened our understanding of dasiglucagon's potential as an innovative treatment for children with CHI who have significant unmet need managing this challenging disease. The second clinical trial evaluated glepaglutide, our long-acting GLP-2 analog, designed for subcutaneous delivery by an auto-injector in patients with short bowel syndrome (SBS). The results from the EASE-1 trial represented a tremendous milestone for our company and people living with SBS.

A key objective for our company is to progress these rare disease programs towards regulatory submissions in 2023 and engage in discussions with potential partners who have the commercial infrastructure to help us bring such treatments to patients.

We also aim to advance our pipeline of peptide candidates targeting obesity, a complex metabolic disease and one of the greatest healthcare challenges of our time. Our expertise in peptide design has generated four differentiated obesity assets in late pre-clinical through Phase 2 clinical trials. These peptides are designed to provide diverse, yet complementary mechanisms of action. These mechanisms are aimed at achieving greater weight loss, as well as the potential for addressing specific clinical needs of obese or overweight patients, while maintaining tolerability. We have used two approaches: dual pharmacology to target two receptors with one peptide and single receptor agonists that can be combined or co-formulated with other peptides.

In 2022, our partner Boehringer Ingelheim reported promising Phase 2 results in type 2 diabetes for BI 456906, a long-acting dual glucagon/GLP-1 receptor agonist that was co-invented by our two companies. Pending results from their Phase 2 trial in patients with obesity in 2023, we anticipate Boehringer Ingelheim's decision whether to initiate Phase 3 clinical development of the molecule.

Among our three wholly owned peptides targeting obesity, dapiglutide, our long-acting dual GLP-1/GLP-2 receptor agonist, showed very encouraging weight loss in a four-week Phase 1 trial in healthy volunteers. We look forward to gaining clinical insights into the mechanism of this first-in-class molecule through an investigator led Phase 2 trial in obesity being initiated in 2023. Of our single receptor agonists, we are advancing a long-acting amylin analog, ZP8396, through initial Phase 1 dose-escalation studies, and expect to report results during 2023. We also expect to advance our long-acting GIP receptor agonist, ZP6590, into Phase 1.

Significant progress.

During 2022 we reported positive results from two of our late-stage clinical programs evaluating our novel peptide therapies for the treatment of rare diseases. Our expertise in peptide design has generated four differentiated obesity assets in late pre-clinical through Phase 2 clinical trials.

Thank you.

We would like to thank our dedicated colleagues, the patients who take part in our clinical trials and their caregivers, our partners, and our shareholders for their continued support of Zealand Pharma.

We look forward to increasing our momentum within obesity into the future.

Partnering our commercial products

We believe we can maximize the potential of our pipeline through global co-development and commercialization partnerships that complement and extend our capabilities to deliver new peptide-based therapies for patients with unmet medical needs. During the past year we have accomplished key objectives to implement this strategy.

Having made the decision to scale back our commercial operations, we moved quickly to ensure that patients would continue to have access to our two marketed products. In May we sold the V-Go® insulin delivery device to MannKind Corporation and in September we entered into a global license and development agreement with Novo Nordisk to commercialize Zegalogue®. Our partnership with Novo Nordisk leverages our strength and experience in peptide drug development and we continue to contribute to the program. Under the agreement, we remain responsible for certain activities to support further development and approval outside of the U.S., including the planned Marketing Authorization Application (MAA) in the EU this year.

As we evaluate future partnerships for other pipeline assets, one important element for us will be our ability to continue to participate in the partnered programs across the value chain. We will seek to maximize the value of our assets by leveraging our strengths and capabilities in a commercial partnership.

Extending our runway

Our strategy to prioritize investment in R&D included a commitment to streamline operating infrastructure and reduce corporate costs. This led to our decision to remove Zealand Pharma's American Depositary Shares (ADSs) from listing on the New York-based Nasdaq Global Select Market. At that time the ADSs accounted for less than 1.5% of the company's share capital. Ordinary shares in Zealand Pharma continue to trade on the Copenhagen Nasdaq in DKK.

Finally, despite the challenging financial markets, we were able to strengthen our balance sheet in 2022 through equity raises in June and October that together amounted to approximately one billion DKK, or USD $140 million, extending our cash runway.

We would like to thank our dedicated colleagues, the patients and their caregivers who take part in our clinical trials, our partners and our shareholders for their continued support of Zealand Pharma.

Martin Nicklasson
Chairman of
the Board of Directors

Adam Steensberg
President and
Chief Executive Officer

2022 Achievements.

In 2022, we delivered on our strategic objectives and achieved significant pipeline progress.

2022 Achievement	
Executed partnership agreements for commercial products	• Sold V-Go® to MannKind Corporation and entered into a partnership with Novo Nordisk for Zegalogue®
Delivered on the late-stage clinical pipeline	• Reported positive results from Phase 3 trials in two rare disease programs: dasiglucagon for congenital hyperinsulinism and glepaglutide for short bowel syndrome
Enriched our early pipeline and developed our next generation platform	• ZP 8396 amylin for obesity: completed dose escalation in the Phase 1 single ascending dose trial; initiated Phase 1 multiple ascending dose trial • Dapiglutide for obesity: reported Phase 1 results and announced decision to pursue further clinical development in obesity
Maintained a strong financial position	• Met financial operating guidance • Extended cash runway to mid-2024 by securing approximately USD 140 million through private placements in June and October 2022
Delivered on our environmental, social, and governance responsibility	• Implemented activities to reduce carbon footprint: revised policies and practices for travel and vendor selection; sourced power from wind energy for headquarters

Consolidated key figures.

DKK thousand	2022	2021	2020	2019	2018
Income statement					
Revenue	103,986	108,546	192,001	41,333	37,977
Gross margin	**103,986**	**97,576**	**192,001**	**40,918**	**34,621**
Research and development expenses	-614,044	-581,511	-595,847	-561,423	-438,219
Sales and marketing expenses	-32,298	-62,600	-20,795	0	0
General and administrative expenses	-237,210	-235,609	-201,594	-67,881	-43,543
Other operating items	-57,587	-2,173	0	444	1,099,526
Net operating expenses	**-941,139**	**-881,893**	**-818,838**	**-628,860**	**617,764**
Operating result	**-837,153**	**-784,317**	**-626,235**	**-587,942**	**652,385**
Net financial items	-134,888	25,430	-47,292	11,265	-27,334
Result before tax	**-972,041**	**-754,887**	**-673,527**	**-576,677**	**625,051**
Income tax	6,431	3,949	4,814	5,136	-43,773
Net result for the period from continuing operations	**-965,610**	**-754,938**	**-668,713**	**-571,541**	**581,278**
Net result for the period from discontinued operations	-236,525	-263,211	-178,016	0	0
Net result for the period	**-1,202,135**	**-1,018,149**	**-846,729**	**-571,541**	**581,278**
Earnings/loss per share from continuing operations – basic/diluted (DKK)	-20.90	-17.61	-17.43	-16.91	18.94
Earnings/loss per share from discontinued operations – basic/diluted (DKK)	-5.12	-6.14	-4.64	0	0
Earnings/loss per share – basic/diluted (DKK)	-26,02	-23,75	-22.07	-16.91	18.94

DKK thousand	2022	2021	2020	2019	2018
Statement of financial position					
Cash and cash equivalents	1,069,234	1,129,103	960,221	1,081,060	860,635
Marketable securities	108,611	299,042	297,345	299,448	298,611
Cash, cash equivalents and Marketable securities	1,177,845	1,428,145	1,257,566	1,380,508	1,159,246
Total assets	1,539,806	2,067,629	1,761,949	1,599,514	1,229,797
Total shareholders' equity	815,911	927,803	1,229,311	1,242,673	1,116,281
Cash flow					
Cash (used in)/provided by operating activities	-942,209	-1,211,971	-688,716	-409,455	-461,420
Cash (used in)/provided by investing activities	281,259	-18,121	-196,807	-51,666	882,925
Cash (used in)/provided by financing activities	587,398	1,332,751	760,941	674,480	-155,449
Purchase of property, plant and equipment	-11,710	-22,133	-25,044	-21,036	-4,038
Free cash flow	-953,919	-1,234,104	-713,760	-430,491	-463,418
Other					
Share price (DKK)	201.40	145.10	220.60	235.40	82.40
Number of shares ('000 shares)	51,702	43,634	39,800	36,055	30,787
Market capitalization (DKKm)	9,305	6,220	8,464	8,487	2,537
Equity ratio	53%	45%	70%	78%	91%
Equity per share (DKK)	17.66	21.26	32.04	34.52	36.33
Average number of full time employees	247	346	297	173	146
Number of full time employees at the end of the year	196	355	329	179	149

2023 Outlook and objectives.

In 2023 we are focused on maximizing the value potential of our pipeline.

2023 Objectives	
Engage in strategic partnership discussions	• Engage in partnership(s) in line with commercialization strategy
Deliver on the late-stage clinical pipeline	Prepare regulatory filings for our rare disease programs: • dasiglucagon for the treatment of congenital hyperinsulinism • glepaglutide for the treatment of short bowel syndrome Advance programs in type 1 diabetes: • prepare regulatory filing ex-US for Zegalogue® partnered with Novo Nordisk • initiate Phase 3 program of dasiglucagon in a bi-hormonal artificial pancreas pump with Beta Bionics
Enrich our early pipeline and develop our next generation platform	Advance our obesity programs: • report results from 6-week Phase 1 trials and advance to 16-week Phase 1 trial of long-acting amylin analog ZP 8396 • support Phase 2 investigator-initiated trial of dapiglutide and advance dose titration trial Develop our early pipeline and next generation peptide platform
Maintain a strong financial position	• Meet financial guidance and ensure disciplined financial management • Maintain sufficient cash runway
Deliver on our environmental, social, and governance responsibility	• Advance ESG initiatives, including continued employee engagement, focus on maintaining our unique culture and phasing out of non-electric vehicles

Financial guidance

DKK million	2023 Guidance	2022 Actual
Revenue anticipated from existing and new license and partnership agreements	No guidance due to uncertain size and timing	104
Net operating expenses[1]	800 - 900	941

[1] Net operating expenses consist of R&D, S&M, G&A and other operating items

Financial guidance based on foreign exchange rates as of March 2, 2023

R&D programs.

We engineer peptides.

Our core expertise is the discovery, design and development of peptide-based medicines. We engineer peptide analogs to enhance biological activity, extend duration of action and increase stability to provide innovative and better treatments for a broad range of diseases.

Our platform

Since our founding in 1998, we have built a unique peptide platform and design process based on a deep understanding of peptide chemistry, formulation know-how and intellectual property rights combined with advanced computer science.

The success of our peptide disovery and development platform has been validated by bringing two approved products marketed respectively by Sanofi and Novo Nordisk, as well as the novel peptide analogs currently in clinical development.

Why peptides?

Peptides are composed of amino acids and are produced by all living organisms, including humans. Many peptides are hormones that carry information between cells or organs to perform a wide range of essential functions, such as regulating appetite, blood glucose or stimulating tissue growth.

Native peptides have powerful biological functions but many are inherently unstable and short-lived in the blood-stream. To convert native peptides into effective peptide therapeutics, these characteristics must be modified, while maintaining or enhancing the biological activity. This involves modifying the amino acid sequence of the peptide, usually by substituting with another amino acid.

We use nature's own inventions

Through our deep understanding of peptide chemistry and biology, we focus this substitution process on key amino acids to remove the weak points that result in poor solubility, stability or activity. We have successfully applied this approach to glucagon, amylin, GLP-1, GLP-2 and GIP to create new drug candidates.

Enhancing the natural property of a peptide or combining activities of two or more peptides into single peptides can present new therapeutic opportunities.

We use endogenous human peptides and peptides from animal venoms to develop new therapeutic candidates. We also manipulate bacteria to produce peptide libraries. In other words, we make broad use of nature's own inven-tions in an effort to improve human health and quality of life.

We continue to optimize our peptide platform through new technologies and scientific advancements. We also access cutting-edge technology through research collab-orations. Our R&D capabilities and pre-clinical programs provide opportunities to grow our scientific and medical presence.

R&D pipeline.

Our R&D pipeline of investigational candidates aims to address unmet medical needs across therapeutic areas.

All product candidates listed are investigational compounds whose safety and efficacy have not been evaluated or approved by the FDA or any other regulatory authority

[1] Co-invented by Boehringer Ingelheim and Zealand: EUR 345 million outstanding potential development, regulatory and commercial milestones + high single to low double digit % royalties on global sales to Zealand

[2] Licensed to Alexion: USD $610 million potential development, regulatory and commercial milestones + high single to low double digits % royalties on net sales

GCGR, glucagon receptor; GLP, glucagon-like peptide; GIP, glucose-dependent insulinotropic polypeptide; IBD, inflammatory bowel disease; NASH, non-alcoholic steatohepatitis; T1D, type 1 diabetes

Rare diseases

Our approach to Congenital Hyperinsulinism (CHI).

CHI is a rare disease affecting newborns, infants and children caused by a defect in pancreatic beta-cells, resulting in insulin overproduction and leading to frequent, recurrent and often severe episodes of low glucose (hypoglycemia). Every year, an estimated one in 28,000 to 50,000 newborns are diagnosed with genetically determined CHI in the U.S. and Europe.

A significant burden

Frequent, recurrent and severe episodes of hypoglycemia in patients with CHI may result in brain damage. Complex care, including continuous enteral feeding or intravenous glucose, can result in lengthy and frequent hospitalizations that make daily life difficult. More than half of CHI patients may be sub-optimally treated with current therapies. The most severely affected children may need to have their pancreas removed within months of birth to prevent hypoglycemia, which results in the development of life-long type 1 diabetes. The burden of managing CHI is significant for the affected children and their families and caregivers.

We are seeking to improve the lives of patients and their caregivers

Dasiglucagon is an investigational glucagon analog designed to allow for continuous subcutaneous infusion via a wearable pump system[1]. The potential of dasiglucagon in the management of CHI is supported by two Phase 3 clinical trials in newborns and children up to 12 years of age.

In one Phase 3 trial (17103), dasiglucagon reduced the requirement for intravenous glucose in newly diagnosed newborns and infants who were being treated in a hospital setting. By the end of the 25-day, two-part clinical study, 7 of 12 patients had weaned off intravenous glucose without needing a pancreatectomy. The second Phase 3 trial (17109) was conducted with children aged between 3 months and 12 years in a homecare setting, and dasiglucagon reduced time in hypoglycemia by approximately 50% and hypoglycemic events by 37-40% when measured by continuous glucose monitoring in the study. The most frequently reported adverse events in both trials were skin reactions and gastrointestinal disturbances. Forty-two out of the 44 patients who participated in these two Phase 3 trials enrolled into a long-term extension trial that is ongoing.

[1] Zealand Pharma has a collaborative development and supply agreement with DEKA Research & Development Corporation and affiliates for infusion pump system.

Rare diseases

Our approach to Short Bowel Syndrome (SBS).

Short bowel syndrome (SBS) is a rare, chronic and debilitating condition resulting in significantly reduced or complete loss of intestinal function. In the U.S. there are an estimated 7,500 people living with SBS with intestinal failure.

Life-long dependency on parenteral support

Short bowel syndrome (SBS) is a complex disease that occurs due to the physical loss, most often due to surgical removal, of half or more of the small intestine. As a result, individuals with SBS often have a reduced ability to absorb nutrients and fluids. In more severe cases, referred to as SBS with intestinal failure, patients are dependent on complex parenteral support (PS) to sustain life. SBS with intestinal failure is associated with significant medical complications including liver and renal failure, metabolic complications, chronic fatigue, and life-threatening infections. Although lifesaving, management of PS is associated with a significant burden on health care systems and reduction in the patients' and caregivers' quality of life.

Need for improved treatment options

SBS can be treated in highly specialized, multi-disciplinary centers, involving the use of agents that promote rehabilitation of the intestinal lining, such as GLP-2 analogs. The only currently available GLP-2 treatment requires weight-adjusted, daily subcutaneous dosing via vial and syringe that involves a multi-step reconstitution process. More effective and convenient treatments to further reduce PS are needed, with the ultimate goal of enteral autonomy.

We are developing a next generation GLP-2 therapy for patients with SBS

Glepaglutide is a long-acting GLP-2 analog that is stable in aqueous solution. We are developing glepaglutide as a ready-to-use, fixed dose product designed for subcutaneous delivery via auto-injector. The Phase 3 program includes four clinical trials evaluating the potential for glepaglutide to reduce or eliminate the need for PS in SBS patients with intestinal failure.

In the EASE-1 trial, glepaglutide administered twice a week reduced weekly PS volume at week 24 compared to placebo with statistical significance. Nine of 70 patients treated with glepaglutide in the trial weaned off parenteral support within 24 weeks, while no placebo treated patients were able to wean off parenteral support. Glepaglutide appeared to be well tolerated; the most frequently reported adverse events in the trial were injection site reactions and gastrointestinal events.

Glepaglutide continues to be evaluated in two long-term safety and efficacy extension studies, EASE-2 and EASE-3, as well as in a mechanistic study, EASE-4.

Obesity

Our approach to Obesity.

Excessive weight and obesity are among the leading risk factors for heart disease, ischemic stroke, liver diseases and Type 2 diabetes, as well as for some cancers.

Facing one of the greatest healthcare challenges of our time

The global prevalence of obesity has nearly tripled since the mid-1970s, with 650 million adults and 124 million children and adolescents suffering from obesity. In the U.S. alone, more than 40% of adults are considered obese.

Obesity is a complex disease that may be treated by targeting a number of unique metabolic pathways. While single-modality therapies have shown profound weight loss, it is expected that dual or triple-hormonal treatments are needed to achieve weight loss comparable to that seen following bariatric surgery.

We are targeting obesity with differentiated peptide molecules

We have designed peptides with built-in dual-acting pharmacology or with mono pharmacology that can be combined or co-formulated with other anti-obesity treatments. Our goal is to achieve increased weight loss and/or provide supplementary effects to address specific needs of obese and overweight subpopulations.

Dual GLP-1/GLP-2 receptor agonist: dapiglutide

GLP-1 and GLP-2 are co-secreted by intestinal L cells in response to food. GLP-1 decreases appetite reduces food intake, delays gastric emptying after ingesting food, and improves glycemia. GLP-2 may improve intestinal barrier function and tolerability of GLP-1 agonists.

Dapiglutide is a first-in-class, long-acting dual GLP-1/GLP-2 receptor agonist suitable for weekly administration. The amino acid sequence was derived from a GLP-2 peptide backbone with GLP-1 activity 'dialed-in'.

A Phase 1 multiple ascending dose trial in healthy volunteers showed dose-dependent weight loss of up to 4.3% at 4 weeks, supporting further clinical development in obesity.

Amylin analog: ZP8396

Amylin is derived from β-cells in the pancreas and is co-secreted with insulin. Amylin improves glycemic control by delaying gastric emptying and targeting post-prandial glucose. It also modulates satiety signals in the brain to reduce food intake.

ZP8396, is a long-acting analog of amylin suitable for weekly dosing that is designed with the potential for monotherapy as well as to allow for co-formulation with other anti-obesity peptides, including GLP-1 receptor agonists, to enhance weight loss.

ZP8396 has shown significant weight loss in pre-clinical models of obesity. A Phase 1 single ascending dose clinical trial in healthy volunteers showed a pharmacokinetic and safety profile that supports further development as a potential obesity treatment. A Phase 1 multiple ascending dose trial is ongoing.

GIP analog: ZP6590

Glucose-dependent insulinotropic peptide (GIP) is released by K cells in the upper small intestine in response to food intake. GIP acts via receptors in the hindbrain to suppress appetite and can have a potent anti-emetic effect. Thus, GIP may contribute to the efficacy of other anti-obesity peptides, such as GLP-1 receptor agonists, by both contributing a complementary effect and by improving the therapeutic window of the other peptide.

ZP6590 is a long-acting analog of GIP with a predicted half-life supporting weekly dosing. The molecule is designed to allow for co-formulation with other anti-obesity peptides, including GLP-1 receptor agonists.

Pre-clinical models of obesity have shown that ZP6590 can potentiate the weight loss effect of a GLP-1 receptor agonist. Moreover, anti-emetic properties of GIP may improve tolerance to GLP-1 receptor agonists.

Dual glucagon/GLP-1 receptor agonist: BI456906

Engaging the glucagon and GLP-1 receptors simultaneously may reduce bodyweight by both increasing energy expenditure and reducing energy intake. Co-invented by Boehringer Ingelheim and Zealand Pharma, BI456906 is a long-acting, dual GCGR/GLP-1R agonist for once-weekly administration.

A Phase 1 trial of BI456906 in people with obesity or who are overweight resulted in up to 13.7% weight loss and no unexpected safety findings following 16 weeks of treatment. These data supported further clinical testing. A Phase 2 trial reduced both blood sugar, as measured by HbA1c, as well as bodyweight and waist circumference in people living with type 2 diabetes after 16 weeks of BI 456906 treatment. Two further Phase 2 trials are ongoing in patients with obesity and in patients with non-alcoholic steatohepatitis (NASH).

Boehringer Ingelheim is funding and conducting all research, development and commercialization activities related to BI456906. Zealand is eligible to receive up to EUR 345 million in outstanding milestone payments, and high-single to low-double digit royalties on global sales.

Type 1 diabetes

Our approach to Type 1 Diabetes.

Despite newer insulins and better administration systems, most people with type 1 diabetes are unable to reach the glycemic goals defined by the American Diabetes Association.

Advances have been made in insulin chemistry and delivery systems to help patients more effectively manage their disease. Despite this, achieving tight control over blood-glucose levels remains a daily challenge for those living with type 1 diabetes. The risk of diabetes complications persists particularly in those who cannot optimize glucoce control, or are at significant risk of hupoglycmia.

Type 1 diabetes is not a single-hormone disease, and glucagon secretion is dysfunctional in these patients. We believe that insulin-only treatment approaches do not mimic physiology and that therapies should be aimed at restoring physiology through bi-hormonal supplementation. The aqueous formulation of dasiglucagon potentially renders it suitable for chronic administration.

We aspire to change type 1 diabetes management

We are developing a pre-filled dasiglucagon cartridge intended for use in Bihormonal Artificial Pancreas systems. We are collaborating with Beta Bionics, developer of the Bihormonal iLet® Bionic Pancreas (iLet Duo™), a pocket-sized, dual chamber (insulin and dasiglucagon), autonomous, glycemic control system. The iLet Duo™ is an investigational device that is limited to investigational use only. The iLet® Bionic Pancreas platform is designed to use adaptive, self-learning, control algorithms, together with continuous glucose monitoring and pump technology, to autonomously compute and administer doses of insulin and/or glucagon and mimic the body's natural ability to maintain tight glycemic control.

With Beta Bionics, we are planning a Phase 3 program designed to support the marketing applications for the iLet Duo and a New Drug Application for the use of dasiglucagon in Bihormonal Artificial Pancreas systems for the treatment of type 1 diabetes.

Inflammation

Our approach to Chronic Inflammatory Diseases.

We believe that peptide medicines represent an opportunity for innovation in the treatment of chronic inflammatory diseases.

We are progressing programs that represent high-profile targets shown to be difficult to address with small molecules and antibodies, as well as orally available peptides against disease targets that have been proven clinically with injectable antibodies.

Complement C3 inhibitor

The complement system is a part of the innate immune system, and a central component of the complement cascade is the C3 protein. Altered activation of the complement cascade is implicated in many immune-mediated diseases and in particular rare diseases such as paroxysmal nocturnal hemoglobinuria, cold agglutinin disease, myasthenia gravis and C3 glomerulopathy. There is currently only one approved drug to treat complement mediated diseases: an antibody that blocks the complement C5, the final step in complement activation. We have selected a candidate molecule that acts on C3, upstream of C5, and thus offers potential differentiation and broader utility than the current therapy. The candidate investigational peptide is selective and long-acting, with the potential to be best-in-class.

We are currently progressing this molecule in collaboration with Alexion (AstraZeneca). We are leading the joint discovery and research efforts through the preclinical stage, and Alexion will lead development efforts beginning with Investigational New Drug (IND) filing and Phase 1 trials.For the lead target, Zealand is eligible to receive up to USD $610 million in development and sales milestone payments, plus royalties on global sales in the high single to low double digits.

Integrin α4β7 inhibitor

ZP10000, is being developed as an orally delivered peptide drug to target integrin α4β7, which is involved in the pathogenesis of inflammatory bowel disease (IBD). Specific binding to surface α4β7 on the T cells prevents the interaction with MAdCAM-1 on the endothelial cells, which plays a critical role in immune cell recruitment to the intestinal tissue. This mode of action has been clinically validated in IBD by vedolizumab, an approved injection-only α4β7 integrin inhibitor antibody. ZP10000, is a peptide ligand that selectively binds to α4β7, and its efficacy has been demonstrated in vivo in IBD models. ZP10000, has binding properties on par with marketed antibodies and oral bioavailability as demonstrated in vivo. We are currently exploring the optimal oral formulation for this compound while we progress the program towards clinical testing.

Kv1.3 ion channel blockers

Kv1.3 is a potassium conducting ion channel, which is selectively upregulated on T effector memory cells. T effector memory cells play a key role in autoimmunity and chronic inflammation by releasing pro-inflammatory cytokines, which drive tissue damage. The anti-inflammatory effects of blocking the Kv1.3 ion channel have been demonstrated in pre-clinical models of autoimmune diseases. The specific and selective location of the Kv1.3 on the effector memory T cells makes it an attractive pharmaceutical target, as blocking preserves the protective effects of the rest of the immune system. ZP9830, is a potent and selective Kv1.3 blocker with potential to treat a broad range of T cell driven autoimmune diseases. Currently we are progressing the molecule into IND enabling toxicity studies.

Corporate matters.

Corporate matters.

Our approach to corporate governance is founded on ethics and integrity and forms the basis of our efforts to ensure strong confidence from our shareholders, partners, employees, and other stakeholders.

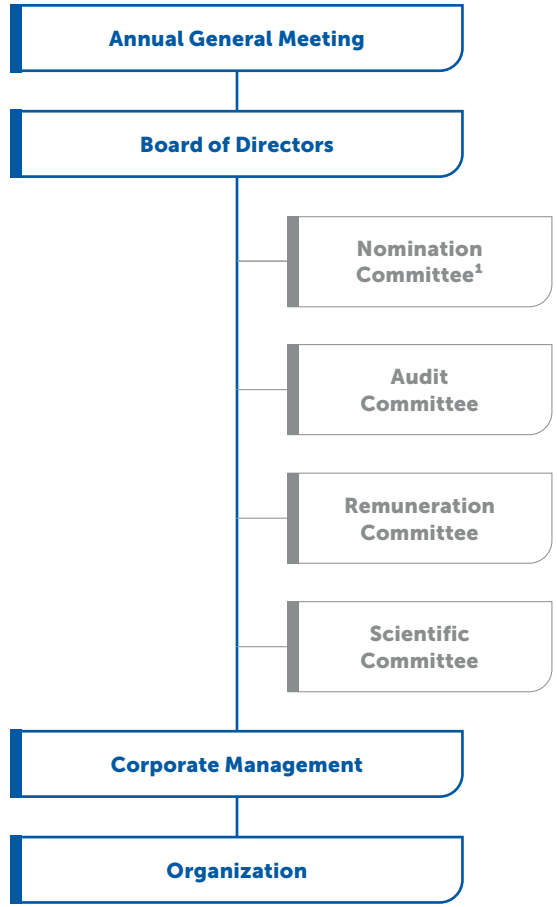
As a company incorporated under the laws of Denmark, and with our shares admitted to trading and official listing on Nasdaq Copenhagen, we are subject to various applicable legislations, standards and other regulations for publicly traded companies. These include Danish securities law and the recommendations on corporate governance issued by the Danish Committee on Corporate Governance (in the below ''the Recommendations''). On 8 August 2022 we gave notice to the Security and Exchange Commission (SEC) that Zealand Pharma would delist from the US-based Nasdaq Global Select Market and end our American Depository Receipt (ADR) program. On 30 September 2022, we filed the necessary notices with the SEC in New York to complete this process and Zealand is therefore no longer listed on the US-based Nasdaq and will continue with Nasdaq Copenhagen as our only listing.

Management structure

Zealand has a two-tier management structure composed of the Board of Directors ("the Board") and the Corporate Management. The Board is responsible for the overall visions, strategies and objectives, the financial and managerial supervision of Zealand as well as for regular evaluation of the work of the Corporate Management. In addition, the Board provides general oversight of our activities and ensures that it is managed in a manner and in accordance with applicable law and our Articles of Association.

The Board approves the policies and procedures, and Corporate Management is responsible for the day-to-day management of Zealand in compliance with the guidelines and directions set by the Board of Directors.

Corporate governance structure



[1] The Nomination Committee is a sub-set of the board..

The allocation of responsibilities between the Board and the Corporate Management is stipulated in the Rules of Procedure.

Board of Directors

The Board of Directors plays an active role in setting our strategies and goals and in monitoring the operations and results. The Board of Directors functions according to its rules of procedure. Board duties include establishing our strategy, policies and activities to achieve our objectives in accordance with the Articles of Association.

In line with the Recommendations, the Board of Directors annually reviews and determines the qualifications and experience needed on the Board. The chairman supervises the Board of Director's annual self-evaluation of its performance.

The Board of Directors met, using a mixture of virtual and in-person meetings, for a total of 13 times in 2022.

Board Committees

The Board has established four committees to support the Board in its duties: Audit Committee, Remuneration Committee, Scientific Committee, and a Nomination Committee.

Overview of meetings in 2022

● Attended ○ Absent

	Board	Audit Committee	Remuneration Committee	Scientific Committee	Nomination Committee
Martin Nicklasson	●●●●●●●●●●●●	●●●●●●●●	●●●●●●●●	N/A	●●
Kirsten A. Drejer	●●●●●●●●●●●●	N/A	N/A	●●●●	●●
Jeffrey Berkowitz	●●●●●●●●●●●●	●●●●●●●○	N/A	N/A	●●
Bernadette Connaughton	●●●●●●●●●●○●	●●●●●●●●	N/A	N/A	●●
Alain Munoz	●●●●●●●●●●●●	N/A	●●●●●●●●	●●●●	●●
Leonard Kruimer	●●●●●●●●●●●●	●●●●●●●●	N/A	N/A	●●
Michael J Owen	●●●●○●●●●●●●	N/A	●●●●●●●●	●●●●	●●
Jens Peter Stenvang	●●●●●●●●●●●●	N/A	N/A	N/A	N/A
Frederik Barfoed Beck	●●●●●●●●●●●●	N/A	N/A	N/A	N/A
Anneline Nansen	●●●●●●●●●●●●	N/A	N/A	N/A	N/A
Iben Louise Gjelstrup	●●●●●●●●●●●●	N/A	N/A	N/A	N/A

Audit Committee

The Audit Committee assists the Board of Directors with oversight of financial reporting, internal control and risk management systems, external auditing of the annual report, and control of the auditor's independence, including oversight of non-audit services and other activities delegated by the Board of Directors.

In 2022, specific topics discussed included auditor's reports, accounting policies, internal controls, including SOX (Sarbanes-Oxley Act) compliance, finance, risk management, insurance policy, de-listing of the American Depository Shares, year-end issues and external financing.

The Audit Committee met eight times in 2022.

Remuneration Committee

The Remuneration Committee proposes the remuneration policy as well as targets for company-operated performance-related incentive programs. These policies and guidelines set out the various components of the remuneration, including fixed and variable remuneration such as pension schemes, benefits, retention bonuses, severance and incentive schemes as well as the related bonus and evaluation criteria.

In 2022, specific topics discussed included long-term incentive programs for management and Board of Directors, US based employees, company goals, compensation policy for eligible employees, termination package for the former CEO and CFO, compensation package for the new CEO and the new CFO and Board compensation and development of Zealand peer group.

The Remuneration Committee met virtually eight times in 2022.

Nomination Committee

The Nomination Committee makes recommendations for decisions to the Board of Directors regarding Board and CEO positions and identifies and recommend candidates for the Board of Directors.

Specific topics discussed in 2022 included the composition of the independent members of the Board of Directors and a review of the organization's needs from the revised company strategy announced on 30 March 2022. The Nomination Committee met twice in 2022.

Scientific Committee

The Scientific Committee is a forum with the purpose of leveraging the scientific expertise of the appointed Board of Directors, understanding, and challenging the approach and assumptions of the Company's Research & Development strategy, provide technical assistance to the Board on Research & Development related issues and provide guidance to the Board on the risks of the Company's Research & Development strategy.

Specific topics discussed in 2022 included the development of the clinical pipeline, preparation for potential interactions with regulatory authorities and a review of the pre-clinical pipeline. The Scientific Committee met four times in 2022.

Compliance with the Corporate Governance Recommendations

Zealand complies with the Recommendations on Corporate Governance in all material respects, with notes on those areas where is has chosen to depart from those recommendations set out below. Zealand has chosen to depart or had provided explanations in respect of the following areas of the Recommendations:

1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders.

1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company's website.

2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.

3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company's activities to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.

The charter of the Audit Committee is available at:
zealandpharma.com/audit-committee

The charter of the Remuneration Committee, the remuneration report, the remuneration policy and the guidelines for incentive pay are available at:
zealandpharma.com/remuneration-committee

The charter of the Nomination Committee is available at:
zealandpharma.com/nomination-committee

The charter of the Scientific Committee is available at:
zealandpharma.com/scientific-committee

Corporate social responsibility.

We are committed to being a socially responsible biotechnology company that serves broader economic, societal, and environmental interests.

For the statutory reporting on corporate social responsibility, gender distribution and diversity in management cf. the Danish Financial Statement Act §99a, §99b and §107d, please see the Corporate Social Responsibility Report 2022 at
zealandpharma.com/csr

Our commitment to corporate social responsibility (CSR) is embedded in our mission to change lives with next generation peptide therapeutics. Our ambition to be the best peptide drug discovery and development company is inspired by patients and the opportunity to address their unmet medical needs. We are committed to ensuring that our actions benefit our direct stakeholders (patients, shareholders, partners and colleagues) as well as society.

Our CSR policy focuses on areas most relevant to our core business:

- Working environment, employee well-being, and diversity
- Quality in relation to research, development and product supply activities
- Putting patients first
- Creating strong partnerships
- Environmental sustainability
- Business ethics

Commitment to Sustainable Development Goals

We are committed to addressing global challenges through support of the Sustainable Development Goals established by the United Nations. Six goals that are relevant to our business remain in focus, and we continue to identify and implement initiatives and metrics to evaluate our progress in these areas. Additional goals may be considered as our company evolves.

Gender Diversity

Diversity provides better understanding of the communities in which we operate, so that we can better serve patients and other stakeholders. We aim to achieve equal representation of both genders at all management levels, from the Board of Directors to the heads of departments.

Zealand has an even distribution of female and male managers, with more women than men across the organization (female represenation is 59%; 2021: 58%). As of December 31, 2022, Zealand's Corporate Management included two women and four men, giving a female representation of 33% (2021: 17%) and the Board of Directors consisted of four women and seven men, giving a female representation of 36% (2021: 36%).

We are committed to providing equal opportunities for all employees, by recruiting, hiring, training, promoting, and making other personnel decisions, without regard to race, colour, gender identity/expression, religion, age, sexual orientation, national origin, disability, military or veteran status or any other protected basis.

Quality in everything we do

Our quality policy describes compliance with rigorous internationally recognized standards and guidelines at all stages of research, development and commercial production to ensure that we do not place patients or animals at risk due to inadequate safety, quality or efficacy. We maintain oversight of outsourced GxP activities to ensure vendor compliance with the requirements of pharmaceutical quality standards including Good Laboratory Practice (GLP), Good Manufacturing, Practice (GMP), Good Clinical Practice (GCP), Good Pharmacovigilance Practice (GVP), appropriate standards for medical devices and others.

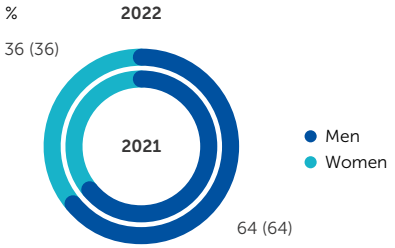
Focus on patients

At Zealand, we work to improve the lives of people with unmet medical needs through collaborations with advocacy groups and patient organizations. We have a long-term commitment to patients and their caregivers to develop better treatment options for improved outcomes.

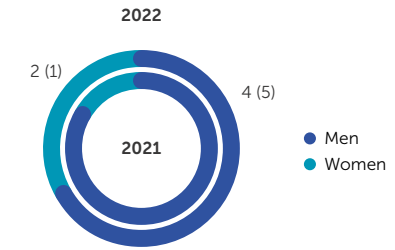
Data Ethics

This statement forms part of the management commentary of the annual report of Zealand Pharma for the last financial year. The Danish regulation - Section 99d of the Danish Financial Statements Act - requires larger companies, which have a policy for data ethics, to supplement the management commentary of the annual report with a report on data ethics. As an innovative fast-moving biotech company the importance of responsible data sharing and data ethics is appreciated within the organization. Zealand Pharma is committed to apply data ethics that are consistent with the appropriate privacy regulations and consistent with accepted industry practice. Zealand Pharma currently has policies on Data Integrity and Good Documentation that apply to the integrity and quality of data for its clinical trials and a Data Governance Manual that governs the way that certain categories are handled and used. Zealand believes that these policies provide adequate safeguards for its data.

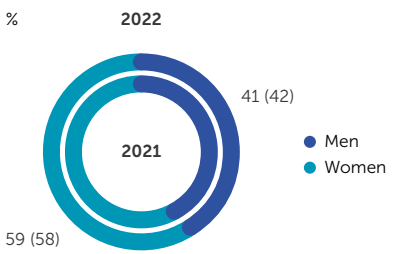
Board of Directors



Corporate Management



Company



Our people and culture.

Our team's well-being, competency development, and engagement are key to realizing our ambitious business goals. We strive to cultivate a diverse, unique, energizing, and respectful environment for all employees, regardless of their background.

Engagement

We are proud that close to 100% of employees across geographies and functional areas believe in the future of Zealand, according to our 2022 engagement survey results. Our people are dedicated and ambitious, helping to achieve major organizational goals, even with a change in company strategy during 2022. We aspire to maintain this level of engagement into the future.

One Team

We aim to change lives through next generation therapeutics, and our employees are at the center of the solutions. We pride ourselves on our ability to work together as one team, and foster a strong company culture founded on collaboration, bold innovation, empowerment, and trust.

To support our employees' well-being, we work systematically to maintain a safe and healthy work environment. We have designed our policies and governance systems to promote physical and psychosocial health. Our committees include a Works Council and an Occupational Safety and Health Committee (OSHA Committee), on which both management and employees are represented and regularly discuss matters related to our work environment. Employees are also represented on the company's Board of Directors per Danish law.

Talent

Zealand strives to be among the very best employers. We are building on Zealand's unique strengths and culture, while we evolve and diversify our workforce to meet tomorrow's demands and keep our innovation power. To attract and retain global talent, we foster a strong company culture, exemplified by our "DNA". These lived and shared values are that our employees are bold, work as one team, can be trusted and empower each other. Through our employees, we can continue to grow a company with highly specialized employees committed to changing lives by evolving our business and advancing our pipeline.

Safe work environment

Zealand works systematically to maintain a safe and healthy work environment. We maintain numerous procedures to support our work environment and train all Zealand employees in standard safety protocols to enable self-management of their occupational safety.

Risk management and internal control.

We constantly monitor and assess the overall risk of doing business in the pharmaceutical/biotech industry and the particular risks associated with our current activities and corporate profile.

This section contains a summary of our 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, and risks related to financial reporting are covered in our corporate governance reporting.

Doing business in the pharmaceutical/biotech industry involves major financial risks. The development of novel medicines takes several years, costs are high, and the probability of reaching the market is relatively low due to developmental and regulatory hurdles.

Our Management is responsible for implementing adequate systems and policies in relation to risk management and internal control, and for assessing the overall and specific risks associated with our business and operations. Furthermore, our Management seeks to ensure that such risks are managed optimally and in a responsible and efficient manner.

The main risks related to our activities include employees' and business partners' violation of our anti-corruption commitment and potential legal and financial consequences thereof. Zealand's whistle-blower program and insider information list are two methods for mitigating such risk. We are developing programs to support ongoing maintenance of code of business conduct understanding among employees, as well as a more robust program to ensure data privacy and protection.

Risks of particular importance to us are scientific and development risks, commercial risks, intellectual property risks, clinical trial risks, regulatory risks, partner interest risks, and financial risks. Risk and mitigation plans are monitored by Management, and the continuous risk assessment is an integral part of the yearly reporting to the Board of Directors.

Zealand risk and mitigation

Commercial activities – products in research and development

Risk

Risks relating to the sales of our products, market size, competition, development time and costs, partner interest and pricing of products in development.

Mitigation

Our revised strategy is to be the partner of choice for next generation peptides. The partnership model works by maintaining a close dialogue with partners to monitor the progress on the partnership with the commercial assets.

Research and development

Risk

Research and development of new pharmaceutical medicines is inherently a high-risk activity. The probability of discovering and developing an efficacious and safe new medicine with strong IP protection is challenging.

Mitigation

Throughout the research and development process, we regularly assess these risks by means of a risk assessment of all our research and development projects, conducted by Management together with the department heads and project managers. This is reviewed and escalated as appropriate during the lifetime of the project. Highlights of this assessment are presented to the Board of Directors, and this includes a description of each project and measures its progress based on milestones. It analyses the individual risks of each project and prioritizes the project portfolio.

Clinical trials

Risk

Our product candidates will need to undergo time-consuming and expensive trials to document efficacy and safety, the outcome of which is unpredictable, and for which there is a high risk of failure.

If clinical trials of our product candidates fail to satisfactorily demonstrate safety and efficacy to the FDA, the EMA and other comparable regulatory authorities, we may incur additional costs or experience delays in completing, or ultimately not be able to complete, the development of these product candidates.

Mitigation

Our clinical project teams work closely with external expert clinicians and product development experts within the industry to design, set up and conduct the clinical programs. Our employees have been selected due to their extensive experience within their field of expertise, receive training and are continuously developed to fulfil requirements. We also engage in meetings with regulatory authorities to ensure that there is alignment on the regulatory strategy and trial requirements.

Intellectual property

Risk

If we or our partners were to face infringement claims or challenges by third parties, an adverse outcome could subject us or our partners to significant liabilities to such third parties or lead to the withdrawal of the product. This could lead us or our partners to curtail or cease the development of some or all of their candidate drugs, or cause our partners to seek legal or contractual remedies against us, potentially involving a reduction in the royalties due to us.

Mitigation

Our patent department works closely with external patent counsels and partners' patent counsels to minimize the risk of patent infringement claims as well as to prepare any patent defence should this be necessary.

Our employees receive training and updates on policies regarding the correct and lawful management of internal and external intellectual property.

Zealand risk and mitigation – continued

Regulatory

Risk

The regulatory approval processes of the FDA, the EMA and other regulatory authorities can be lengthy, time consuming and inherently unpredictable, and if we or our collaboration partners are ultimately unable to obtain regulatory approval for internal or out licensed product candidates, our business could be substantially harmed.

Mitigation

Our regulatory department works closely with external consultants and regulatory agents to develop regulatory strategies. We also engage in meetings with regulatory authorities to ensure that there is alignment on the regulatory strategy and trial requirements.

Future partnerships

Risk

Entering into collaborations with partners can bring significant benefits as well as involve risks. In addition, full control of the product is often given to the partner.

Mitigation

Under our revised corporate strategy, partnerships are a key part of our future. To maximize the value of such partnerships, we strive to foster a close and open dialogue with our partners, thereby building strong partnerships that work effectively.

Financial

Risk

Financial risks relate to cash and treasury management, liquidity forecasts and financing opportunities.

In addition to the above there are macroeconomic risks relating to rising interest rates and volatility in the financial markets.

Mitigation

Financial risks are regularly assessed by our Company's Management and reported to the Audit Committee and the Board of Directors.

The company regularly assesses its exposure to the markets and assess all its options for its financing needs.

IT

Risk

Our information technology systems are key to its operations and need protection from intrusion from unauthorized entry.

Mitigation

We employ qualified IT professionals who use external assistance from qualified vendors to provide advice on cybersecurity and systems security were relevant. All members of staff are trained in IT security and our IT systems use multi-authentication systems as appropriate to reduce the risk of unauthorized entry into the systems. Our company has appropriate protection systems from viruses and malware. The most sensitive data is encrypted and subject to restricted internal use.

Financial review.

Financial review for the period January 1 – December 31, 2022.

Financial results

In March 2022 Zealand announced a change in strategy and intention to scale back commercial operations. As a consequence, the result from activities related to commercialization of products via own sales force is classified as discontinued operations. Comparative figures for 2021 have been restated to match the classification.

Revenue

DKK million	2022	2021	Δ	Δ in percent
Revenue from collaboration agreements	104.0	108.6	-4.6	-4%
Product sales from discontinued operations	87.6	184.0	-96.4	-52%
Total revenue	**191.6**	**292.6**	**-101.0**	**-35%**

Revenue from collaboration agreements is positively impacted by the license and development agreement with Novo Nordisk A/S related to Zegalogue. The positive effect is offset by a decrease in received milestones from other collaboration agreements.

Research and development expenses

DKK million	2022	2021	Δ	Δ in percent
Research and development expenses from continuing operations	614.0	581.5	32.5	6%
Research and development expenses from discontinued operations	4.9	6.2	-1.3	-21%
Total research and development expenses	**618.9**	**587.7**	**31.2**	**5%**

Research and development expenses are increased compared to last year due to the new strategy to prioritize pipeline activities.

Sales and marketing expenses

DKK million	2022	2021	Δ	Δ in percent
Sales and marketing expenses from continuing operations	32.3	62.6	-30.3	-48%
Sales and marketing expenses from discontinued operations	113.7	312.7	-199.0	-64%
Total sales and marketing expenses	**146.0**	**375.3**	**-229.3**	**-61%**

Sales and marketing expenses are decreased compared to 2021 as a result of the change in strategy as announced in March, 2022.

General and administrative expenses

DKK million	2022	2021	Δ	Δ in percent
General and administrative expenses from continuing operations	237.2	235.6	1.6	1%
General and administrative expenses from discontinued operations	17.1	25.4	-8.3	-33%
Total general and administrative expenses	**254.3**	**261.0**	**-6.7**	**-3%**

The decrease in general and administrative expenses from discontinued operations is a result of the reduced activities in US following the change in strategy.

Financial items

DKK million	2022	2021	Δ	Δ in percent
Financial income	133.3	41.2	92.1	224%
Financial expenses	-268.2	-15.8	-252.4	1,597%
Net financial items	**-134.9**	**25.4**	**-160.3**	**-631%**

Financial items is driven by the loan agreement with Oberland. The increase in financial income is a result of a fair value adjustment on Zealands option to prepay the loan. The increase in expense is caused by a recognized loss on the partial repayment of the loan, fair value adjustments of Oberlands option to call for repayment of the loan under certain conditions and the ongoing interests on the loan.

Corporate tax

DKK million	2022	2021	Δ	Δ in percent
Corporate tax from continuing operations	6.4	3.9	2.5	64%
Corporate tax from discontinued operations	-13.1	4.8	-17.9	-373%
Total corporate tax	**-6.7**	**8.7**	**-15.4**	**-177%**

The corporate tax is impacted by an impairment of deferred taxes related to our US operations as a consequense of the changed strategy.

Liquidity and capital resources

Equity

DKK million	Dec 31, 2022	Dec 31, 2021	Δ	Δ in percent
Equity	815.9	927.8	-111.9	-12%
Equity ratio	53%	45%	N/A	N/A

The decrease in equity was mainly driven by the loss for the period offset by capital increases in June and October 2022 amounting to DKK 1,085 million.

Cash, cash equivalents and Marketable securities

DKK million	Dec 31, 2022	Dec 31, 2021	Δ	Δ in percent
Cash, cash equivalents and marketable securities	1,177.8	1,428.1	-250.3	-18%

Cash flow

DKK million	2022	2021	Δ	Δ in percent
Cash used in operating activities	-942.2	-1,212.0	269.8	22%
Cash used in investing activities	281.3	-18.1	299.4	1,654%
Cash flow from financing activities	587.4	1,332.8	-745.4	-56%
Free cash flow	-953.9	-1,234.1	-280.2	23%

The decrease in cash used in operating activities is caused by a postive impact from working capital due to the reduced sales activities.

Cash used in investing activities in 2022 relates to settlement of the Groups marketable securities and proceeds received from the divestment of V-GO.

Cash from financing activities is from the capital raises in June and October 2022, offset by the partial repayment of the Oberland loan.

Shareholder information.

We are listed on Nasdaq Copenhagen under the ticker symbol ZEAL.

Find out more about our investor relations at
zealandpharma.com/investor-relations

At December 31, 2022, the nominal value of our share capital was DKK 51,702,098, divided into 51,702,098 shares with a nominal value of DKK 1 each.

In 2022 the share capital increased by a nominal value of DKK 8.1 million through two directed issues and private placements (DKK 7.9 million in total) and exercise of employee warrants (DKK 0.2 million). All Zealand shares are ordinary shares and belong to one class. Each share listed by name in Zealand's shareholder register represents one vote at the annual general meeting and other shareholders' meetings.

Change in number of shareholders during 2022

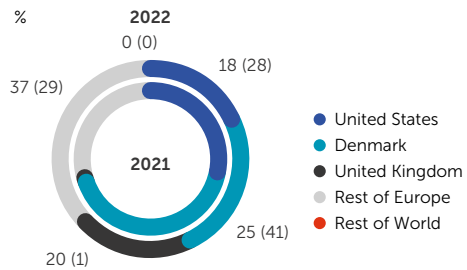
The number of registered shareholders in Zealand Pharma increased to 24,283 at December 31, 2022, from 24,097 at December 31, 2021.

Ownership

The following shareholders are registered in Zealand Pharma's register of shareholders as being the owners of a minimum of 5% of the voting rights or a minimum of 5% of the share capital (one share equals one vote) at December 31, 2022:

- Van Herk Investments, Netherlands (14.8% of votes/14.8% of capital)
- Polar Capital LLP, United Kingdom (11.5% of votes/11.5% of capital)

Institutional shares by geography



Based on Nasdaq Corporate Solutions aggregated data per October 2022 and Computershare aggregated data per December 2021.

Share price performance

The price of Zealand's shares increased by 38.8% during 2022 with a market closing share price at year-end of DKK 201.40, compared to DKK 145.10 at year-end 2021.

Annual General Meeting

The annual general meeting is scheduled to be held electronically and in-person on Wednesday, March 29, 2023 at 3:00 PM CET. Additional information will become available at https://www.zealandpharma.com/annual-general-meeting no later than 3 weeks before the annual general meeting.

Financial Calendar 2023

Date	Event
March 29	Annual General Meeting
May 11	Q1 Earnings Release / Interim Report First Quarter 2023
August 17	H1 Earnings Release / Interim Report First Half 2023
November 9	Q3 Earnings Release / Interim Report Third Quarter 2023

All dates are subject to NASDAQ deadlines and reporting requirements and are subject to change

Analyst coverage

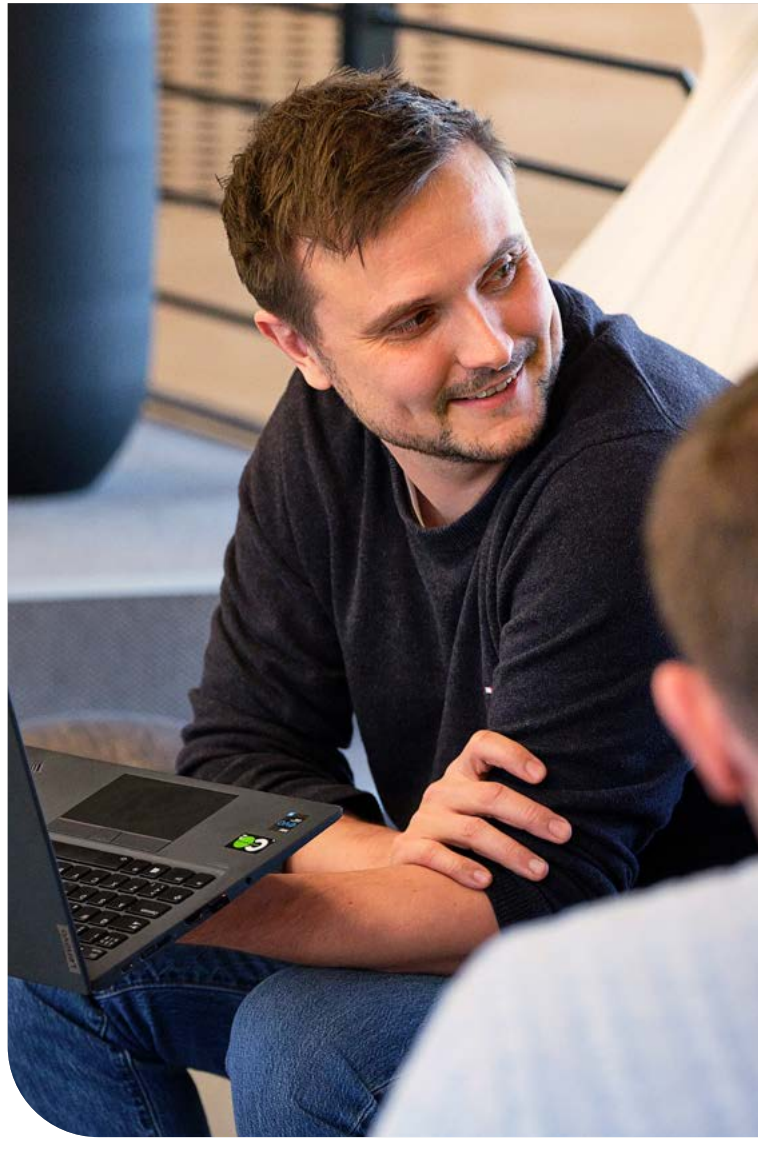
Zealand is followed by the financial institutions and analysts listed below:

Institution	Analyst
United Kingdom	
Goldman Sachs	Rajan Sharma
Jefferies	Lucy Codrington
Morgan Stanley	Sarita Kapila
Netherlands	
Kempen	Suzanne van Voorthuizen
Denmark	
Carnegie	Jesper Ilsøe
Danske Bank	Thomas Bowers
Nordea	Michael Novod

Core share data

	Denmark	U.S.*
Number of shares and ADSs at Dec. 31, 2022	51,702,098	0
Listing	Nasdaq Copenhagen	Nasdaq Global Select Market, New York
Ticker symbol	ZEAL	ZEAL
Index memberships	Nasdaq Copenhagen	

* In 2022, Zealand voluntarily removed its American Depositary Shares (ADSs) from listing on the New York-based Nasdaq Global Select Market. One ADS represented one ordinary share in Zealand Pharma, and the company's ADSs accounted for less than 1.5% of the total share capital.



Board of Directors and Corporate Management.

Find out more about the Board of Directors at
zealandpharma.com/board-of-directors-and-nomination-committee

Zealand Board of Directors at March 2, 2023

	Martin Nicklasson	Kirsten A. Drejer	Jeffrey Berkowitz
Position	Chairman	Vice Chairman	Board member
Year of birth	1955	1956	1966
Nationality	Swedish	Danish	American
Gender	Male	Female	Male
First elected	2015	2018	2019
Committee	AdCom, RemCom chair and NomCom chair	NomCom and SciCom	NomCom and AdCom
Independent	Yes	Yes	Yes
Special competencies	Extensive general management and research and development experience from AstraZeneca Plc and Swedish Orphan Biovitrum AB.	More than 30 years of international experience in the pharmaceutical and biotech industry. Before co-founding Symphogen A/S in 2000, held several scientific and managerial positions at Novo Nordisk A/S.	Global executive with extensive branded and generic pharmaceutical, retail pharmacy, wholesale drug distribution, specialty, payor and healthcare services leadership experience in P&L accountable roles.
Current positions	Board member of Basilea Pharmaceutica Ltd. and chairman of Nykode Therapeutics AS.	Chairman of the board of Antag Therapeutics, Bioneer and ResoTher Pharma. Board member of Curasight A/S and Malin Corporation.	CEO and Director of Real Endpoints. Board member of H. Lundbeck A/S, Esperion Therapeutics, Inc. and Uniphar PLC.
Zealand shares at December 31, 2022	10,570	4,800	4,200
Zealand warrants at December 31, 2022	0	0	0
Zealand RSUs at December 31, 2022	8,000	4,000	4,000
Change in ownership in 2022	+8,000	+4,000	+4,000

Zealand Board of Directors at March 2, 2023, continued

	Bernadette Connaughton	Leonard Kruimer	Alain Munoz	Michael John Owen
Position	Board member	Board member	Board member	Board member
Year of birth	1958	1958	1949	1951
Nationality	American	Dutch	French	British
Gender	Female	Male	Male	Male
First elected	2019	2019	2005[1]	2012
Committee	NomCom and AdCom	NomCom and AdCom	NomCom, RemCom and ScCom	NomCom, RemCom and ScCom
Independent	Yes	Yes	No[2]	Yes
Special competencies	More than 30 years of global strategic, commercial and leadership expertise, and a broad perspective on the strategy, capabilities and governance required for successful execution in U.S. and international markets.	More than 30 years of experience in corporate finance, planning and strategy, including 15 years in senior executive positions in private and publicly listed biotechnology companies.	Physician qualified cardiology and intensive care. Experience in the pharmaceutical industry at senior management level. Served as SVP for international development in the Sanofi Group and in the pharmaceutical division of Fournier Laboratories.	Research experience focusing on the immune system and more than 150 publications. Has held several leading positions at GlaxoSmith-Kline, most recently as SVP and head of biopharmaceuticals research.
Current positions	Board member of the board of Halozyme Therapeutics Inc., Editas Medicine and Syneos Health.	Chairman of the board of BioInvent International AB, board member of Oncolytics Biotech Inc., board member and Chairman of Audit Committee of Pharming Group NV., and Basilea Pharmaceutica Ltd. Director AI Global (Netherlands) PCC Ltd.	Chairman of the board of directors of Acticor Biotech and a board member of Auris Medical and Amryt Pharma Plc.	Chairman of the board of Ossianix Inc. and is a member of the board of ReNeuron Group plc, and Sareum Holdings plc.
Zealand shares at December 31, 2022	4,500	8,000	9,750	3,820
Zealand warrants at December 31, 2022	0	0	0	0
Zealand RSUs at December 31, 2022	4,000	5,500	4,500	4,500
Change in ownership in 2022	+4,000	+4,000	4,500	3,520

[1] Resigned in 2006 and re-elected in 2007. [2] Not considered independent in accordance with the Danish Recommendations on Corporate Governance of 2 December 2020.

Zealand Board of Directors at March 2, 2023, continued

	Frederik Barfoed Beck	Anneline Nansen	Louise Gjelstrup	Jens Peter Stenvang
Position	Employee-elected board member[1]	Employee-elected board member[1]	Employee-elected board member[1]	Employee-elected board member[1]
Year of birth	1967	1969	1977	1954
Nationality	Danish	Danish	Danish	Danish
Gender	Male	Female	Female	Male
First elected	2020	2021	2020	2014
Committee	None	None	None	None
Independent	No	No	No	No
Current positions	Senior Outsourcing Manager	Principal Scientist.	Principal Laboratory Technologist.	Senior Application Specialist.
Zealand shares at December 31, 2022	5,738	1,571	2,230	7,800
Zealand warrants at December 31, 2022	7,928	10,047	2,523	1,773
Zealand RSUs at December 31, 2022	1,500	1,500	1,500	1,500
Change in ownership in 2022	+940	0	+975	+1,500

[1] Employee-elected board members are elected for a period of four years.

Zealand Corporate Management at March 2, 2023

	Adam Steensberg	Henriette Wennicke	David Kendall
Position	**Executive Management** President and Chief Executive Officer	**Executive Management** Executive Vice President and Chief Financial Officer	Senior Vice President and Chief Medical Officer
Year of birth	1974	1983	1961
Nationality	Danish	Danish	American
Gender	Male	Female	Male
Joined Zealand	2010	2022	2020
Experience	Adam was appointed to the position of CEO in March 2022 having served most recently as our Executive Vice President, Research & Development, and Chief Medical Officer. Prior to joining Zealand, Adam led clinical research teams as medical director at Novo Nordisk and worked as a clinician at Rigshospitalet, University of Copenhagen. Adam was a medical and scientific advisor in the areas of endocrinology, cardiology, gastroenterology and rheumatology, and has significant experience of leading regulatory strategies. Adam is a chairman of the board of directors of Cessatech ApS and board member of Dansk Biotek	Henriette has served as the Vice President and Head of Investor Relations and Treasury at GN Store Nord, a global leader in intelligent audio solutions listed on the Nasdaq Copenhagen. Prior to that role, she was Vice President and Head of Global Finance at GN Hearing. Henriette began her career with Novo Nordisk, rising through financial leadership roles.	David has served as Chief Medical Officer for MannKind Corporation, Vice President, Medical Affairs and Distinguished Medical Fellow at Eli Lilly and Company, and as Chief Scientific and Medical Officer for the American Diabetes Association. His clinical career includes roles as both Chief of Clinical Services and Medical Director at the International Diabetes Center and as faculty at the University of Minnesota. David is a board observer of Beta Bionics, Inc.
Zealand shares at December 31, 2022	17,611	0	1,536
Zealand warrants at December 31, 2022	254,063	14,038	10,490
Zealand PSUs at December 31, 2022	176,984	20,590	0
Zealand RSUs at December 31, 2022	11,711	0	32,829
Change in ownership in 2022	+17,611	0	0

Zealand Corporate Management at March 2, 2023, continued

	Ivan Møller	Christina Sonnenborg Bredal	Ravinder Chahil
Position	Executive Vice President and Chief Operating Officer	Senior Vice President, People & Organization	Senior Vice President and General Counsel
Year of birth	1972	1985	1968
Nationality	American/Danish	Danish	British
Gender	Male	Female	Male
Joined Zealand	2018	2020	2017
Experience	Ivan has served at Novartis in both generics and pharmaceutical manufacturing, as well as in strategy, quality assurance, contract manufacturing and supply chain leadership in Germany, the U.S. and Switzerland. Ivan was project leader at The Boston Consulting Group in the pharmaceutical R&D and manufacturing areas.	Christina brings experience in employment law and workforce challenges. Prior to joining Zealand, Christina served as a consultant at PwC Legal, specializing in employment law and employee share programs, and at EY People Advisory Services, specializing in global mobility tax and rewards. Christina was previously a trial lawyer litigating civil court cases and an attorney specializing in M&A and legal due diligence.	Ravinder brings international experience in intellectual property law in the life science sector, with expertise in litigation, licensing, mergers, acquisitions. Additionally, he has experience with financing, securitization, and capital markets. Prior to his in-house roles as Director of Intellectual Property at Polpharma SA and Actavis Group Hf, he worked for 10 years in private practice in London, practicing contentious and non-contentious intellectual property law.
Zealand shares at December 31, 2022	15,349	542	0
Zealand warrants at December 31, 2022	129,915	31,761	50,261
Zealand PSUs at December 31, 2022	90,927	35,400	33,900
Zealand RSUs at December 31, 2022	10,739	333	2,376
Change in ownership in 2022	+15,349	+542	0

Financial statements.

Consolidated financial statements.

Consolidated financial statements.

Consolidated income statement for the years ended December 31, 2022, 2021 and 2020

DKK thousand	Note	2022	2021	2020
Revenue	2.1	103,986	108,546	192,001
Royalty expenses		0	-10,970	0
Gross margin		**103,986**	**97,576**	**192,001**
Research and development expenses	2.3	-614,044	-581,511	-595,847
Selling and marketing expenses	2.4	-32,298	-62,600	-20,795
General and administrative expenses	2.5	-237,210	-235,609	-201,594
Other operating items	2.7	-57,587	-2,173	0
Net operating expenses		**-941,139**	**-881,893**	**-818,236**
Operating result		**-837,153**	**-784,317**	**-626,235**
Financial income	4.7	133,270	41,211	2,022
Financial expenses	4.7	-268,158	-15,781	-49,314
Result before tax		**-972,041**	**-758,887**	**-673,527**
Corporate tax	5.1	6,431	3,949	4,814
Net result for the year from continuing operations		**-965,610**	**-754,938**	**-668,713**
Net result for the year from discontinued operations	2.8	-236,525	-263,211	-178,016
Net result for the year		**-1,202,135**	**-1,018,149**	**-846,729**
Earnings/(loss) per share from continuing operations – basic/diluted (DKK)	2.9	-20.90	-17.61	-17.43
Earnings/(loss) per share from discontinued operations – basic/diluted (DKK)	2.9	-5.12	-6.14	-4.64
Earnings/(loss) per share – basic/diluted (DKK)	2.9	-26.02	-23.75	-22.07

Consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020

DKK thousand	Note	2022	2021	2020
Net result for the year		-1,202,135	-1,018,149	-846,729
Other comprehensive income				
Items that will be reclassified to income statement when certain conditions are met (net of tax):				
Exchange differences on translation of foreign operations		462	5,178	8,977
Total comprehensive result for the year		**-1,201,673**	**-1,012,971**	**-837,752**

Consolidated financial statements.

Consolidated statements of financial position as of December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Assets			
Non-current assets			
Intangible assets	3.1	0	53,790
Property, plant and equipment	3.2	50,528	86,455
Right-of-use assets	3.3	114,960	134,994
Other Investments	3.4	30,943	26,907
Corporate tax receivable	5.1	0	1,268
Deferred tax assets	5.1	2,017	13,525
Trade and other receivables	3.6	18,105	29,094
Other financial assets	3.7	6,901	0
Total non-current assets		**223,454**	**346,033**
Current assets			
Inventories	3.5	1,286	118,436
Trade and other receivables	3.6	115,622	153,453
Corporate tax receivable	5.1	21,599	21,562
Marketable securities	4.5	108,611	299,042
Cash and cash equivalents (including cash subject to certain conditions)	4.4	1,069,234	1,129,103
Total current assets		**1,316,352**	**1,721,596**
Total assets		**1,539,806**	**2,067,629**

DKK thousand	Note	2022	2021
Shareholders equity and liabilities			
Shareholders equity			
Share capital	4.8	51,702	43,634
Currency translation reserve		14,617	14,155
Other reserves		749,592	870,014
Total shareholders' equity		**815,911**	**927,803**
Non-current liabilities			
Borrowings including embedded derivatives	4.6	401,346	647,906
Lease liabilities	3.3	108,000	124,626
Deferred revenue	3.8	0	14,551
Trade and other payables	3.9	19,058	18,426
Total non-current liabilities		**528,404**	**805,509**
Current liabilities			
Lease liabilities	3.3	14,729	14,897
Deferred revenue	3.8	0	53,033
Trade and other payables	3.9	180,762	266,387
Total current liabilities		**195,491**	**334,317**
Total liabilities		**723,895**	**1,139,826**
Total shareholders' equity and liabilities		**1,539,806**	**2,067,629**

Consolidated financial statements.

Consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020

DKK thousand	Note	2022	2021	2020
Net result for the year		-1,202,135	-1,018,149	-846,729
Adjustments for other non-cash items	6.7	269,622	17,430	63,862
Change in working capital	6.7	10,263	-166,325	97,818
Interest received		5,178	0	895
Interest paid		-34,414	-3,296	-4,562
Corporate tax received/(paid)		9,277	-41,631	0
Cash flow from/(used in) operating activities		**-942,209**	**-1,211,971**	**-688,716**
Acquisition of Valeritas business, net of cash acquired		0	0	-167,791
Change in deposits		0	4,012	-3,972
Purchase of marketable securities		-700,477	0	0
Proceeds from sale of marketable securities		887,060	0	0
Proceeds from sale of V-GO	2.8	106,386	0	0
Purchase of property, plant and equipment		-11,710	-22,133	-25,044
Cash flow from/(used in) investing activities		**281,259**	**-18,121**	**-196,807**
Proceeds from issuance of shares related to exercise of share based compensation		23,836	26,070	41,363
Proceeds from issuance of shares		1,060,825	748,975	791,503
Purchase of treasury shares		0	-28,590	0
Repayment of borrowings	4.6	-436,088	0	0
Proceeds from borrowings		0	647,906	0
Costs related to issuance of shares		-47,456	-46,895	-42,706
Lease installments	3.3	-13,719	-14,715	-29,219
Cash flow from/(used in) financing activities		**587,398**	**1,332,751**	**760,941**
(Decrease)/increase in cash and cash equivalents		-73,552	102,659	-124,582
Cash and cash equivalents at beginning of period		1,129,103	960,221	1,081,060
Exchange rate adjustments		13,683	66,223	3,743
Cash and cash equivalents at end of period		**1,069,234**	**1,129,103**	**960,221**

Consolidated statements of changes in shareholders' equity at December 31, 2022, 2021 and 2020

DKK thousand	Share capital	Trans-lation reserve	Other reserves	Total
Equity at January 1, 2022	**43,634**	**14,155**	**870,014**	**927,803**
Other comprehensive income	0	462	0	462
Net result for the year	0	0	-1,202,135	-1,202,135
Share-based compensation	0	0	52,576	52,576
Capital increases	8,068	0	1,076,593	1,084,661
Cost related to capital increases	0	0	-47,456	-47,456
Equity at December 31, 2022	**51,702**	**14,617**	**749,592**	**815,911**
Equity at January 1, 2021	**39,800**	**8,977**	**1,180,534**	**1,229,311**
Other comprehensive income	0	5,178	0	5,178
Net result for the year	0	0	-1,018,149	-1,018,149
Treasury shares	0	0	-70,190	-70,190
Share-based compensation	0	0	53,504	53,504
Capital increases	3,834	0	771,211	775,045
Cost related to capital increases	0	0	-46,896	-46,896
Equity at December 31, 2021	**43,634**	**14,155**	**870,014**	**927,803**
Equity at January 1, 2020	**36,055**	**0**	**1,206,618**	**1,242,673**
Other comprehensive income	0	8,977	0	8,977
Net result for the year	0	0	-846,729	-846,729
Share-based compensation	0	0	30,485	30,485
Capital increases	3,745	0	832,866	836,611
Cost related to capital increases	0	0	-42,706	-42,706
Equity at December 31, 2020	**39,800**	**8,977**	**1,180,534**	**1,229,311**

Consolidated financial statements.

Notes overview

1 Basis of preparation

2 Results for the year

3 Operating assets and liabilities

4 Capital structure, financial risk and related items

5 Tax

6 Other disclosures

Notes to the Consolidated financial statements.

1. Basis of preparation

1.1 Basis of preparation, going concern assumption, nature of the business and accounting policies

Basis of preparation

These consolidated financial statements include Zealand Pharma A/S (the parent company) and subsidiaries over which the parent company has control. The Zealand consolidated Group is referenced herein as "Zealand" or the "Group".

This section describes Zealand's significant financial accounting policies including management's judgements and estimates under International Financial Reporting Standards as adopted by the EU (IFRS). New or revised EU endorsed accounting standards and interpretations are described, in addition to how these changes are expected to impact the financial performance and reporting of Zealand.

Zealand describes the significant accounting policies in conjunction with each note with the aim to provide a more understandable description of each accounting area.

Going concern assessment

The Company's refocused strategy to prioritize research and development allows the Company to focus on the research and development of innovative peptide-based medicines and leverage its peptide platform though strategic collaborations.

Until such time where the Company becomes able to generate positive cash-flows from its operations, additional funding is expected to be necessary to fund future research and development activities. Therefore, the Company plans to raise additional funds through either public financing, debt financing, collaboration agreements, strategic alliances and licensing arrangements, or a combination of such.

Managements judgement and assessment of the Company ability to continue as a going concern includes evaluation of the Company's operational cash-flow requirements for the forthcoming 12 months from the balance sheet date and future sources and uses of cash. Management has assessed factors such as its product pipeline, cash position, planned research and development activities, current license and collaboration agreements, and financing opportunities.

Management currently expects that the Company's cash and cash equivalents at 31 December 2022, excluding cash and cash equivalents subject to certain conditions (refer to note 4.4), will be sufficient to fund the Company's research and development activities as planned and capital requirements for at least 12 months from the 31 December 2022 balance sheet date.

On this basis, these consolidated financial statements is prepared using the going concern assumption.

Notes to the Consolidated financial statements.

1.1 Basis of preparation, going concern assumption, nature of the business and accounting policies (continued)

Nature of the Business

Zealand is a biotechnology company focused on the discovery and development of peptide-based medicines. More than 10 drug candidates invented by Zealand have advanced into clinical development, of which two have reached the market and three candidates are in late-stage development. The company has development and partnerships with a number of blue-chip pharma companies as well as commercial partnerships for its marketed products.

Zealand Pharma A/S is incorporated in Denmark, founded in 1998 and is headquartered in Copenhagen, Denmark, with a presence in the U.S. that includes Boston.

Zealand has previously aimed to be a fully integrated pharmaceutical company, but in March 2022, the strategy was refocused to concentrate on development activities. Please refer to note 2.8 for further information.

Accounting policies

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and further requirements in the Danish Financial Statements Act (class D). The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 2, 2023. Except as outlined in note 1.2 and 1.3, the financial statements have been prepared using the same accounting policies as 2021.

Please refer to the overview below to see in which note/section the detailed accounting policy is included.

Section 2 – Results for the year

2.1 Revenue
2.3 Research and development expenses
2.4 Selling and marketing expenses
2.5 General and administrative expenses
2.6 Staff costs
2.7 Other operating items
2.8 Discontinued operations
2.9 Earnings per share

Section 3 – Operating assets and liabilities

3.1 Intangible assets
3.2 Property plant and equipment
3.3 Right-of-use assets and lease liabilities
3.4 Other investments
3.5 Inventories
3.6 Receivables

Section 4 – Capital structure, financial risk and related items

4.3 Financial assets and liabilities
4.6 Borrowings
4.7 Financial items
4.8 Share capital

Section 5 – Tax

5.1 Corporate tax

Materiality

Zealand's Annual Report is based on the concept of materiality and the Company focuses on information that is considered material and relevant to the users of the consolidated financial statements. The consolidated financial statements consist of a large number of transactions. These transactions are aggregated into classes according to their nature or function and presented in classes of similar items in the consolidated financial statements as required by IFRS and the Danish Financial Statements Act. If items are individually immaterial, they are aggregated with other items of similar nature in the financial statements or in the notes.

The disclosure requirements are substantial in IFRS and for Danish listed companies. Zealand provides these specific required disclosures unless the information is considered immaterial to the economic decision making of the readers of the consolidated financial statements or not applicable.

Consolidated Financial Statements

The consolidated financial statements include Zealand A/S and subsidiaries over which the parent company has control. The parent controls a subsidiary when the parent is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power to direct the activities of the subsidiary. A Company overview is included in note 6.2.

Notes to the Consolidated financial statements.

1.1 Basis of preparation, nature of the business and accounting policies (continued)

Zealand's consolidated financial statements have been prepared on the basis of the financial statements of the parent company and subsidiaries- prepared under Zealand's accounting policies- by combining similar accounting items on a line-by-line basis. On consolidation, intercompany income and expenses, intercompany receivables and payables, and unrealized gains and losses on transactions between the consolidated companies are eliminated.

The recorded value of the equity interests in the consolidated subsidiaries is eliminated with the proportionate share of the subsidiaries' equity. Subsidiaries are consolidated from the date when control is transferred to the Group.

The income statements for subsidiaries with a different functional currency than Zealand's presentation currency are translated into Zealand's presentation currency at average exchange rates, and the balance sheets are translated at the exchange rate in effect at the balance sheet date.

Exchange rate differences arising from the translation of foreign subsidiaries shareholders' equity at the beginning of the year and exchange rate differences arising as a result of foreign subsidiaries' income statements being translated at average exchange rates are recorded in translation reserves in shareholders' equity.

Functional and Presentation Currency

The consolidated financial statements have been prepared in Danish Kroner (DKK), which is the functional and presentation currency of the parent company.

Foreign Currency

Transactions in foreign currencies are translated at the exchange rates in effect at the date of the transaction.

Exchange rate gains and losses arising between the transaction date and the settlement date are recognized in the income statement as financial income or expense.

Unsettled monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Exchange rate gains and losses arising between the transaction date and the balance sheet date are recognized in the income statement as financial income or expense.

Statements of Cash Flows

The cash flow statement is presented using the indirect method with basis in the net profit before tax.

Cash flows from operating activities are stated as the net profit before tax adjusted for net financial items, non-cash operating items such as depreciation, amortization, impairment losses, share-based compensation expenses, provisions, and for changes in operating assets and liabilities, interest paid and received, interest elements of lease payments and corporate taxes paid or received. Operating assets and liabilities are mainly comprised of changes in receivables and other payables excluding the items included in cash and cash equivalents. Changes in non-current assets and liabilities are included in operating assets and liabilities, if related to the main revenue-producing activities of Zealand.

Cash flows from investing activities consist of purchases and sales of marketable securities and other investments, as well as purchases of intangible assets and property and equipment.

Cash flows from financing activities relate to the issuance of shares, purchase of treasury shares and payments of loans including installments on lease liabilities.

Cash and cash equivalents are comprised of cash, bank deposits, and marketable securities with a maturity of less than ninety days on the date of acquisition.

The statements of cash flows cannot be derived solely from the financial statements.

iXBRL reporting

Zealand Pharma is required to file its annual report in the European Single Electronic Format ('ESEF') and The Annual Report is therefore prepared in the XHTML format that can be displayed in a standard browser. The primary statements in the consolidated financial statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals. The Annual Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a file named 549300ITBB1ULBL4CZ12-2022-12-31-en.zip.

Notes to the Consolidated financial statements.

1.2 New accounting policies and disclosures

New accounting policies and disclosures for 2022

Zealand has, with effect from January 1, 2022, implemented the following standards and amendments:

- Onerous contracts – Cost of fulfilling a contract – amendments to IAS 37
- Reference to the conceptual framework – amendments to IFRS 3
- Property, Plant and Equipment – Proceeds before intended use – amendments to IAS 16

The implementation of the above amendments did not have any impact on amounts recognized in prior periods and is not expected to have a material impact in the current or future reporting periods.

New accounting policies and disclosures effective in 2022 or later

The IASB has issued a number of new standards and updated some existing standards, the majority of which are effective for accounting periods beginning on January 1, 2023 or later. Therefore, they are not incorporated in these consolidated financial statements. There are no standards presently known that are not yet effective and that would be expected to have a material impact on Zealand in current or future reporting periods and on foreseeable future transactions.

1.3 Changes in accounting policies

Reclassification of government grants related to refund of staff costs

Government grants related to PhD scholarships have previously been presented as other income. Management have assessed that it will provide more relevant information to present the received amounts as a reduction of staff costs under research and development. The change has been applied retrospectively and as a result DKK 0.8 million for 2021 and DKK 0.6 million for 2020 has been reclassified from other operating income to research and development expenses.

Notes to the Consolidated financial statements.

1.4 Management's judgements and estimates under IFRS

In preparing financial statements under IFRS, certain provisions in the standards require management's judgements, including various accounting estimates and assumptions. These judgements and estimates affect the application of accounting policies, as well as reported amounts within the consolidated financial statements and disclosures.

Determining the carrying amount of certain assets and liabilities requires judgements, estimates and assumptions concerning future events that are based on historical experience and other factors, which by their very nature are associated with uncertainty and unpredictability.

Accounting estimates are based on historical experience and various other factors relative to the circumstances in which they are applied. Estimates are generally made based on information available at the time. An example would include management's estimation of useful lives of intangible assets.

Accounting judgements are made in the process of applying accounting policies. These judgements are typically made based on the guidance and information available at the time of application. Examples would include management's judgements utilized in determining revenue recognition.

These estimates and judgements may prove incomplete or incorrect, and unexpected events or circumstances may arise. Zealand is also subject to risks and uncertainties which may lead actual results to differ from these estimates, both positively and negatively. Specific risks for Zealand are discussed in the relevant section of this Annual Report and in the notes to the consolidated financial statements.

The areas involving a high degree of judgement and estimation that are significant to the consolidated financial statements are summarized below. Refer to the identified notes for further information on the key accounting estimates and judgements utilized in the preparation of the consolidated financial statements.

Accounting topic	Key accounting estimates and judgements	Note reference	Estimation risk
Revenue recognition	Judgement in assessing the nature of combined performance obligations within contracts	2.1	Moderate
	Judgement in assessing the probability of attainment of milestones		Low
	Estimation of stand-alone selling price for each identified performance obligation		Moderate
Share-based compensation	Judgement in determine assumptions required for valuation of warrant grants	2.5	Moderate
	Estimate of instruments expected to vest		Moderate
Discontinued operations	Judgments exercised by management in applying IFRS 5 as a result of the divestment of the US sales activities, including the V-Go activity and the transfer of the commercial rights for Zegalogue	2.8	Moderate
Borrowings	Estimate of fair value of Oberland's call option for repayment of loan	4.6	High
	Judgement in respect of identification of embedded derivatives and debt modifications		Moderate
Inventory	Estimate of net realizable value of Zegalogue raw materials	3.5	Low
Deferred taxes	Judgement and estimate regarding valuation of deferred income tax assets	5.1	Low
Capitalization of research and development costs	Judgement involved in determining when a development project reached technological feasibility	3.1	Low
Going concern assumption	Judgement in assessing operational cash-flow and capital requirements for the forthcoming 12 months from the balance sheet date	1.1	Low

Notes to the Consolidated financial statements.

2. Results for the year

2.1 Revenue

Accounting policies

Zealand recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that Zealand determines are within the scope of IFRS 15, Zealand performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Zealand only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, Zealand assesses the goods and services promised within each contract and identifies as a performance obligation each good or service that is distinct. Revenue is recognized in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Royalties:
Certain of Zealand's license and collaboration agreements include sales-based royalties including commercial milestone payments based on the level of sales. The license has been deemed to be the predominant item to which the royalties relate under Zealand's license and collaboration agreements. As a result, Zealand recognizes revenue when the related sales occur.

Reimbursement Revenue for R&D Services:
Zealand's research and development collaboration agreements include the provisions for reimbursement or cost sharing for research and development services and payment for full-time equivalent employees (FTEs) at contractual rates. R&D services are performed over time given that the customer simultaneously receives and consumes the benefits provided by Zealand and revenue for research and development services is therefore recognized over time. Amount is recognized net of any pass-through cost incurred on behalf of the customer. The assessment of if a cost is incurred on behalf of the customer is made by evaluating the nature of its promise to the customer including whether the specified good or service to be provided to the customer are controlled by the Company before that good or service is transferred to the customer.

Notes to the Consolidated financial statements.

2.1 Revenue (continued)

Milestone Revenue:
At the inception of each arrangement that includes milestone payments, Zealand evaluates whether the achievement of milestones is considered highly probable and estimates the amount to be included in the transaction price using the most likely amount method. If it is highly probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of Zealand or the license and collaboration partner, such as milestones conditioned of regulatory approvals, are not considered probable of being achieved until such regulatory approvals are received. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which Zealand recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, Zealand re-evaluates the probability of achievement of such milestones and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and earnings in the period of adjustment.

License Revenue for Intellectual Property:
If the license to Zealand's functional intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, Zealand recognizes revenues from non-refundable upfront fees allocated to the license at the point in time the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, Zealand utilizes judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, upfront fees.

Product sales:
Revenue from sale of goods is recognized at a point in time when control of the goods is transferred to the customer and recorded net of adjustments for rebates and chargebacks, all of which are estimated at the time of sale.

Recognized revenue can be specified as follows for all agreements and product sales:

DKK thousand	2022	2021	2020
Boehringer Ingelheim International GmbH	0	22,311	149,120
Alexion Pharmaceuticals Inc.	69,027	30,185	42,881
Protagonist Therapeutics, Inc.	0	25,381	0
Sanofi-Aventis Deutschland GmbH	0	30,669	0
Novo Nordisk A/S	34,959	0	0
Total revenue from license and collaboration agreements	**103,986**	**108,546**	**192,001**
Gross product sales	164,651	354,599	303,658
Sales rebates	-69,526	-157,016	-133,924
Returns and sales reductions	-7,513	-13,562	-8,421
Total net product sales	87,612	184,021	161,313
- Hereof related to discontinued operations	-87,612	-184,021	-161,313
Total net product sales from continuing operations	**0**	**0**	**0**
Total revenue from continuing operations	**103,986**	**108,546**	**192,001**
Total revenue recognized over time from continuing operations	76,181	30,185	42,881
Total revenue recognized at a point in time from continuing operations	27,805	78,361	149,120
Total revenue recognized at a point in time from discontinued operations	87,612	184,021	161,313

Notes to the Consolidated financial statements.

2.1 Revenue (continued)

Novo Nordisk A/S License and Development Agreement

On September 7, 2022, Zealand announced a global license and development agreement with Novo Nordisk to commercialize ZEGALOGUE (dasiglucagon) for injection. Under the agreement Zealand received DKK 25 million in upfront payments and is eligible for up to DKK 45 million in development milestones and DKK 220 million in net sales-based milestones as well as compensation on a time and material basis. The agreement with Novo Nordisk is considered a contract with a customer as defined in IFRS 15. Thus, Zealand recognizes as revenue from research and development services under the collaboration agreement the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Within this Novo Agreement, Zealand identified five distinct performance obligations:

1. delivery of license for ZEGALOGUE,

2. delivery of transitional services,

3. delivery of R&D services,

4. submission of EU marketing authorization application,

5. delivery of specified development activities.

The total transaction price under the agreement was determined to be DKK 55 million which includes the upfront payment of DKK 25 million and DKK 30 million of the future potential milestone amounts. While determining the transaction price to be allocated to performance obligations, management has deemed milestones of DKK 30 million to be highly probable and unlikely that a significant revenue reversal would occur. As the remaining milestones are contingent of the occurrence of future events outside the control of the company, such milestones will be recognized when their achievement is deemed to be highly probable, and a significant revenue reversal would not occur. Royalties and net sales-based milestones under this agreement, will be recognized when the related sales occur.

As Zealand is compensated on a time and material basis for delivery of transition services and R&D services as listed above, the total transaction price of DKK 55 million has been allocated to the three remaining performance obligations, being delivering of license to ZEGALOGUE, services related to submission of EU marketing authorization application and delivery of specified development activities. The allocation has been based on management's estimate of relative stand-alone selling prices. For performance obligations in respect of services related to submission of EU marketing authorization application and delivery of specified development activities, the stand-alone selling prices have been based on internal budgets and the same time and material compensation schedules as agreed between Zealand and Novo Nordisk. The stand-alone selling price for delivering of license to ZEGALOGUE was estimated using the residual approach. The allocation of the transaction price to the performance obligations not compensated on a time a material basis is summarized below:

1. Delivery of license for ZEGALOGUE: DKK 28 million

4. Submission of EU marketing authorization application: DKK 13 million

5. Delivery of specified development activities: DKK 14 million

The performance obligations related to the delivery of license to ZEGALOGUE were completed at a point in time (September 2022) as such revenue of DK 28 million was recognised in 2022. For the remaining performance obligations related to services related to submission of EU marketing authorization application and delivery of specified development activities such are completed over time as the activities progress. Revenue is measured based on Zealand's estimate of actual expenses incurred while rendering the services during the period compared to planned service periods and budgeted expenses. As such, Zealand applies an input based method (budget expenses) when determining the timing of satisfaction of performance obligations as the services related to submission of EU marketing authorization application and delivery of specified development activities are performed by an indeterminate number of acts over the development timeline.

Alexion Pharmaceuticals Inc Agreement

In March 2019, Zealand entered into a license, research and development agreement with Alexion Pharmaceuticals, Inc. (Alexion) to develop novel therapies to treat complement mediated diseases. This agreement provided Zealand an immediate cash injection as well as further external validation of Zealand's peptide platform. The collaboration with Alexion is not limited to the project C3 but offers the potential to work on identification of peptide inhibitors to up to three additional components of the complement cascade.

Zealand will have responsibility for the C3 project and other targets up to IND and Alexion will then progress the peptides into clinical development. Under the Alexion license, research and development

Notes to the Consolidated financial statements.

2.1 Revenue (continued)

agreement, Zealand has received an upfront non-refundable payment of USD 25 million for the C3 program and a concurrent USD 15 million equity investment in Zealand at a premium to the market price.

The agreement also provides the potential for development-related milestones of up to USD 115 million, as well as up to USD 495 million in sales-related milestones and high single- to low double-digit royalty payments. The 3 additional programs will provide further non-refundable upfront payments (USD 15 million each), development and sales milestone and royalties. The non-refundable up-front fee was allocated to the combined license, research and development services, and is being recognized as revenue along with provision of the research and development services under the lead program. Expenses to provide the services is being recognized when incurred. Further, the premium over the market share price on the Zealand shares subscribed by Alexion, DKK 12.7 million, is attributed to the Agreement as further consideration and consequently also recognized over the period over which the R&D services are provided.

Management judgements and estimates

Revenue Recognition

Evaluating the criteria for revenue recognition under license and collaboration agreements requires management's judgement to assess and determine the following:

- *Identification of performance obligations within the contract and determine the nature of performance obligations and whether they are distinct or should be combined with other performance obligations to determine whether the performance obligations are satisfied over time or at a point in time.*
- *Determine the transaction price, including an assessment of whether the achievement of milestone payments is highly probable.*
- *Allocation of transaction price to performance obligations to determine the stand-alone selling price of each performance obligation identified in the contract using key assumptions which may include forecasted revenues, development timelines, reimbursement rates for personnel costs, discount rates and probabilities of technical and regulatory success.*

2.2 Information about geographic areas

(DKK million)	Revenue 2022	Non-current assets 2022	Revenue 2021	Non-current assets 2021	Revenue 2020	Non-current assets 2020
Denmark	35.0	143.8	0	184.8	0	184.0
Germany	0	0	53.0	0	149.1	0
United States	69.0	21.7	55.5	106.9	42.9	71.1
Total continuing operations	**104.0**	**165.5**	**108.5**	**291.7**	**192.0**	**255.1**
United States	87.6	0	184.0	0	161.3	0
Total discontinued operations	**87.6**	**0**	**184.0**	**0**	**161.3**	**0**

Zealand is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. No separate lines of business or separate business entities have been identified with respect to any licensed products, marketed products, product candidates or geographical markets and no segment information is currently prepared for internal reporting.

Accordingly, it has been concluded that it is not relevant to include segment disclosures in the consolidated financial statements as Zealand's business activities are not organized on the basis of differences in related product and geographical areas.

Notes to the Consolidated financial statements.

2.3 Research and development expenses

Accounting policies

Research and development expenses primarily include salaries, benefits and other employee related costs of Zealand's research and development staff, license costs, manufacturing costs, preclinical costs, clinical trials, contractors and outside service fees, amortization and impairment of licenses and rights related to intangible assets, and depreciation of property and equipment, to the extent that such costs are related to the Group's research and development activities.

Research and development expenses are recognized in the income statement as incurred and in the period in which they relate, except for development expenses for which the capitalization criteria are met.

Please see note 3.1 for a more detailed description on the treatment of Zealand's research and development expenses related to internal development projects.

DKK thousand	2022	2021	2020
Staff costs	-233,474	-238,753	-203,608
Amortization, depreciation, impairment losses on intangible assets, property plant and equipment, and right of use assets	-23,851	-20,636	-17,417
Other external research and development expenses	-361,632	-328,305	-382,454
Total research and development expenses	**-618,957**	**-587,694**	**-603,479**
- Hereof related to discontinued operations	4,913	6,183	7,632
Total research and development expenses from continuing operations	**-614,044**	**-581,511**	**-595,847**

2.4 Selling and marketing expenses

Accounting policies

Selling and marketing expenses relate to Zealands commercial activities, including costs related to preparing the market for Zealands products and administration of commercial partnerships. This includes salaries, benefits and other headcount costs related to commercial minded departments as well as third-party costs.

In addition, depreciation and impairment of property and equipment, to the extent such expenses are related to commercial functions are also included. Selling and marketing expenses are recognized in the income statement in the period to which they relate.

DKK thousand	2022	2021	2020
Staff costs	-75,346	-145,245	-130,568
Depreciation and impairment losses on property, plant and equipment and right-of-use assets	-23	-92	-640
Other external selling and marketing expenses	-88,567	-229,932	-154,048
Total selling and marketing expenses	**-163,936**	**-375,269**	**-285,256**
- Hereof related to discontinued operations	131,638	312,669	264,461
Total selling and marketing expenses from continuing operations	**-32,298**	**-62,600**	**-20,795**

Notes to the Consolidated financial statements.

2.5 General and administrative expenses

Accounting policies

General and administrative expenses relate to the recurring management and administration of Zealand. This includes salaries, benefits and other headcount costs related to management and support functions including human resources and the finance departments.

In addition, depreciation and impairment of property and equipment, to the extent such expenses are related to administrative functions are also included. General and administrative expenses are recognized in the income statement in the period to which they relate.

DKK thousand	2022	2021	2020
Staff costs	-118,308	-127,630	-78,639
Depreciation and impairment losses on property, plant and equipment and right-of-use assets	-5,662	-4,390	-5,042
Other external general and administrative expenses	-130,365	-128,967	-119,089
Total general and administrative expenses	**-254,335**	**-260,987**	**-202,770**
- Hereof related to discontinued operations	17,125	25,378	1,176
Total general and administrative expenses from continuing operations	**-237,210**	**-235,609**	**-201,594**

2.6 Staff costs

Accounting policies

Wages and saleries
Wages and salaries are being recognized in the income statement in the period in which services for wages and salaries is rendered to the Company.

Share-based compensation
The value of services received as consideration for share-based compensation is measured at the fair value of the granted instrument. The fair value of equity settled share-based compensation is determined at the grant date and is recognized in the income statement as employee benefit expense over the period in which the instrument vest. The offsetting entry to this is recognized under equity. An estimate is made of the number of instruments expected to vest. Subsequently, an adjustment is made for changes in the estimate of the number of instruments, which will vest, so the total expense is equal to fair value of the actual number of instruments which vest. The fair value of instruments granted is estimated using the Black–Scholes pricing model whereas the closing share price of the day prior to grant is used for RSU and PSUs.

Management's judgements and estimates

Estimate of fair value of share-based compensation programs
In accordance with IFRS 2, the fair value of the warrants at grant date is recognized as an expense in the income statement over the vesting period, the period of delivery of work. Subsequently, the fair value is not remeasured.

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 based om the interest rate on Danish government bonds (bullet issues) with a maturity similar to the expected life of the option;*
- *The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the current warrant program.*
- *These assumptions can vary over time and can change the fair value of future warrants granted.*

Notes to the Consolidated financial statements.

2.6 Staff costs (continued)

Estimate of forfeiture rate for share-based compensation programs
The estimated number of shares expected to vest is based on a series of factors such as:

- *The historic rate of employee turnover adjusted for significant events.*
- *Remaining time until vesting.*
- *Expected achivement of performance goals for PSUs.*

DKK thousand	2022	2021	2020
Total staff costs can be specified as follows:			
Wages and salaries	369,311	410,007	337,295
Share-based compensation	52,286	53,737	30,485
Pension schemes (defined contribution plans)	19,672	23,993	16,716
Government grants	-5	-759	-602
Other payroll and staff-related costs	31,676	54,541	37,241
Total staff costs	**472,940**	**541,519**	**421,135**
The amount is charged as:			
Research and development expenses	231,022	236,060	200,335
Selling and marketing expenses	7,870	13,568	0
General and administrative expenses	104,524	108,668	72,059
Other operating items - restructuring costs cf. note 2.7	19,098	0	0
Discontinued operations	110,426	183,223	149,041
Total staff costs	**472,940**	**541,519**	**421,435**
Average number of employees	**247**	**346**	**297**

Total share-based costs split on share-based type	2022	2021	2020
PSUs	11,510	14,765	900
RSUs	16,789	23,701	1,100
Warrants	23,987	15,271	28,485
Total	**52,286**	**53,737**	**30,485**

Total share-based costs split on cost type	2022	2021	2020
Research and development expenses	33,837	22,038	13,939
Selling and Marketing expenses	649	415	0
General and administrative expenses	31,696	26,627	9,998
Other operating items cf. note 2.7	-11,241	0	0
Discontinued operations	-2,655	4,657	6,548
Total	**52,286**	**53,737**	**30,485**

The comparative figures for 2020 and 2021 have been restated as a consequence of the accounting treatment of discontinued operations cf. note 2.8. The total costs in 2020 and 2021 remain unchanged.

Determination of fair value of the instruments granted during the period
For warrants granted after April 19, 2018, the exercise price is determined by the closing price of Zealand's shares on Nasdaq Copenhagen on the day prior to the grant date. For warrants granted before April 19, 2018, the exercise price was determined by the closing price of Zealand's shares on Nasdaq Copenhagen on the day prior to the grant date plus 10%.

Warrants granted prior to April 15, 2020 expire automatically after five years. Warrants vest either after 3 years of service, with 1/36 each month from the grant date, or with 1/3 after one year, 1/3 after two years and 1/3 after three years. The service cost is recognized over the respective vesting periods. Warrants granted from April 15, 2020 and going forward expires automatically after 5 or 10 years for warrants granted to Corporate Management and employees, repectively.

Notes to the Consolidated financial statements.

2.6 Staff costs (continued)

Warrants may be exercised four times a year during a four-week period starting from the date of the publication of Zealand's Annual Report or interim reports. Dividends are not expected.

For warrants granted before January 1, 2019, the volatility rate used is based on the 5-year historical volatility of the Zealand share price. For warrants granted after January 1, 2019, the volatility rate used is based on a historical volatility of the Zealand share price calculated as the vesting period of 3 years plus 50% of the exercise period of 7 years i.e. 6.5 years (2021 and 2020:6.5 years)

For RSUs and PSUs the fair value of instruments granted is determined as the closing share price of the day prior to grant.

The fair value of the warrants granted in 2022 and 2020 was determined using the Black-Scholes model using the following inputs as at day of grant:

Grant year	2022	2022	2022	2021	2021	2020	2020
Type	Warrants	PSUs	RSUs	PSUs	RSUs	RSUs	Warrants
Term	Up to 120 months	Up to 36 months	Up to 36 months	36 months	36 months	36 months	Up to 120 months
Share price at grant date (DKK)	90.7 to 203.0	90.7 to 203.0	90.7 to 100.2	185.9 to 191.6	131.2 to 207.6	216.8 to 224.4	216.8 to 224.4
Exercise price (DKK)	90.7 to 203.0	0	0	0	0	0	216.8 to 224.4
Volatility (%)	48.6 to 61.2	N/A	N/A	N/A	N/A	N/A	44.68 to 46.45
Risk-free interest rate (%)	0.86 to 2.14	N/A	N/A	N/A	N/A	N/A	-0.31 to -0.41
Exercise period to-from	May '23 to Sep '32	N/A	N/A	N/A	N/A	N/A	Apr'21 to Apr'30
No. granted	896,990	286,813	148,431	282,852	507,461	27,466	631,288
Cost price (DKK)	36.7 to 89.8	90.7 to 203	90.7 to 100.2	185.9 to 191.6	131.2 to 207.6	216.8 to 224.4	48.4 to 95.4

Please refer to note 4.9 for information about status of the share-based compensation programs.

2.7 Other operating items

Accounting policies

Other operating items comprises non-revenue income and expenses related to Zealand's operation that is assessed to be non-recurring and significant for the understanding of the financial performance of Zealand.

Other operating items also includes expenses as result of restructuring activities, including insurance costs, impairment charges, reversal of inventory write downs, loss on revaluation of disposal group and other significant one-time transaction expenses.

DKK thousand	2022	2021	2020
Restructuring costs - continuing operations	-19,098	0	0
Insurance	-37,033	0	0
Loss on retirement of fixed assets	-1,456	-2,173	0
Total other operating items from continuing operations	**-57,587**	**-2,173**	**0**
Restructuring costs - discontinued operations	-56,738	0	0
Impairment of production eqiupment (Note 3.2)	-9,725	0	0
Reversal of inventory write-off (Note 3.5)	22,564	0	0
Loss on disposal group V-GO (Note 2.8)	-40,743	0	0
Gain from bargain purchase	0	0	36,395
Total other operating items from discontinued operations	**-84,642**	**0**	**36,395**

Insurance comprises a one-off costs to cover any claims against directors and officers that would arise following the delisting from the US stock exchange.

Restructuring costs from discontinued operations comprises severance costs (DKK -13.8 million), reversal of costs related to forfeited share-based incentive programs (DKK 2.7 million) and an allowance for loss on Zegalogue inventories (DKK -45.6 million) while restructuring costs from continuing operations comprises severance costs (DKK -30.3 million) and reversal of costs related to forfeited share-based incentive programs (DKK 11.2 million). All restructuring costs were incurred as a result of the March 30, 2022, company announcement.

Notes to the Consolidated financial statements.

2.7 Other operating items (continued)

The partial reversal of the inventory write-off of DKK 22.6 million primarely relates to Zegalogue finished goods which was transferred to Novo Nordisk as a result of the global license and development agreement as announced in September, 2022.

Impairment of production equipment relates to equipment acquired in order to be able to upscale the production of Zegalogue.

Divestment of V-GO covers the accoutning loss incurred as a result of the divestment of the V-GO activities. Please refer to note 2.8 for further information.

2.8 Discontinued operations

Accounting policies

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss. Comparatives in the statement of profit and loss for previous periods are restated to reflect the result of discontinued operations.

Management's judgements and estimates

On March 30, 2022, the group announced its intension to exit the US sales activities including the V-Go activity. The activities were successfully divested through an asset purchase agreement with MannKind Corporation dated May 29, 2022. On September 7, 2022, the group announced the transfer of the commercial rights for Zegalogue to Novo Nordisk effectually ending all efforts to commercialize the group's products via own sales force in 2022.

Management has exercised judgement in determining that the activities around commercialization of V-Go products via own sales force and transfer of commercial rights to Zegalogue met the criteria for classification as a discontinued operations and in the segregation of results from discontinued operation from results from continued operations for all periods presented. Accordingly, the activities, including the effect of the divestment of the V-GO disposal group, has been presented separately as a discontinued operation in the income statement.

Notes to the Consolidated financial statements.

2.8 Discontinued operations (continued)

The results and the cash flow of the discontinued activities are presented below as a discontinued operations for the period ended December 31, 2022, December 31, 2021 and December 31, 2020:

DKK thousand	2022	2021	2020
Revenue	87,613	184,021	161,313
Cost of goods sold	-70,688	-107,844	-90,565
Gross margin	**16,925**	**76,177**	**70,748**
Research and development expenses	-4,913	-6,183	-7,632
Sales and marketing expenses	-133,695	-312,669	-264,461
General and administrative expenses	-17,125	-25,378	-1,176
Other operating items	-84,642	0	36,395
Total Operating expenses	**-240,375**	**-344,230**	**-236,874**
Result before tax	**-223,450**	**-268,053**	**-166,126**
Corporate tax	-13,075	4,842	-11,890
Net result from discontinued operations	**-236,525**	**-263,211**	**-178,016**

DKK thousand	2022	2021	2020
Cash flows from discontinued operations			
Net cash inflow (outflow) from operating activities	-155,238	-368,052	-131,927
Net cash inflow (outflow) from investing activities	106,380	-1,585	-170,034
Net cash (outflow) from financing activities	-1,064	-2,319	-1,506
Net cash increase (decrease) generated from the discontinued operation	**-49,922**	**-371,956**	**-303,467**

All assets and liabilities included in the V-Go disposal group was derecognized as of May 29, 2022 with the closure of the asset purchase agreement with MannKind. As a result, no assets or liabilities are classified as held for sale in relation to the discontinued operation as of December 31, 2022.

The derecognized assets and liabilities, recognized consideration and net impact on profit and loss from the divestment of V-Go are presented below:

DKK thousand	May 29, 2022
Assets included in disposal group	
Intangible assets	52,082
Property, plant and equipment	20,586
Right-of-use assets	8,128
Deposits and prepayments	1,871
Inventories	79,872
Total assets of disposal group	**162,539**
Liabilities directly associated with assets included in disposal group	
Lease liabilities	8,837
Total liabilities of disposal group	**8,837**
Net assets of disposal group	**153,702**
Consideration:	
Cash consideration	111,553
Purchase price adjustment	-5,167
Other financial assets	6,573
Total consideration	**112,959**
Loss on sale of disposal group - recognized as other operating items from discontinued operations	-40,743

As a part of the license and development agreement with Novo Nordisk A/S as described in note 2.1, finished goods with a value of DKK 21.3 was transfered as a part of the contract.

Notes to the Consolidated financial statements.

2.9 Earnings per share

Accounting policies

Basic result per share
Basic result per share is calculated as the net result for the period, divided by the weighted average number of ordinary shares outstanding, excluding treasury shares held by the company.

Diluted result per share
Diluted result per share is calculated as the net result for the period, divided by the weighted average number of ordinary shares outstanding, excluding the treasury shares, and adjusted for the dilutive effect of share equivalents.

DKK thousand	2022	2021	2020
Net result used in the calculation of basic and diluted earnings/losses per share from continuing operations	-965,610	-754,938	-668,713
Net result used in the calculation of basic and diluted earnings/losses per share from discontinued operations	-236,525	-263,211	-178,016
Net result used in the calculation of basic and diluted earnings/losses per share	-1,202,135	-1,018,149	-846,729
Weighted average number of ordinary shares	46,502,969	43,192,383	38,433,923
Weighted average number of treasury shares	-302,817	-322,988	-64,223
Weighted average number of ordinary shares used in the calculation of basic/diluted earnings per share	**46,200,152**	**42,869,395**	**38,369,700**
Earnings/(loss) per share from continuing operations – basic/diluted (DKK)	**-20.90**	**-17.61**	**-17.43**
Earnings/(loss) per share from discontinued operations – basic/diluted (DKK)	**-5.12**	**-6.14**	**-4.64**
Total earnings/(loss) per share – basic/diluted (DKK)	**-26.02**	**-23.75**	**-22.07**

In the calculation of the diluted loss per share for 2022, 2,190,503 potential ordinary shares related to share-based payment instruments have been excluded as they are anti-dilutive (2,209,044 for 2021 and 2,019,368 for 2020).

Notes to the Consolidated financial statements.

3. Operating assets and liabilities

3.1 Intangible assets

Accounting policies

Research and development
Zealand currently has not recognized internally generated intangible assets from development, as the criteria for recognition of an asset are not met as described below.

Acquired licenses and rights
Acquired licenses, rights, and patents are initially measured at cost and include the net present value of any future payments. The net present value of any future payments is recognized as a liability. When triggered, milestone payments are accounted for as an increase in the cost to acquire licenses, rights, and patents unless such subsequent expenditures are recognized in the income statement as Research & Development expenses if they do not satisfy the conditions for recognition as an asset.

Amortization
Licenses, rights, and patents are amortized using the straight-line method over the estimated useful life which is determined when the asset is available for use. Amortizations, impairment losses and gain or losses on the disposal of intangible assets are recognized in the income statement as Research & Development expenses.

Impairment
If circumstances or changes in Zealand's operations indicate that the carrying amount of the intangible assets may not be recoverable, Management will review the intangibles for impairment. Intangible assets not ready for use are reviewed for impairment on an annual basis.

Notes to the Consolidated financial statements.

3.1 Intangible assets (continued)

Management's judgements and estimates

According to IAS 38, intangible assets arising from development projects should be recognized in the balance sheet. 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 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 its effect on humans prior to obtaining the necessary final approval of the product from the authorities. The future economic benefit 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 final regulatory 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.

DKK thousand	Licenses, rights and patents	Intellectual property	Physician relationship
Cost at January 1, 2022	2,530	13,692	65,613
Disposals	-2,530	0	0
Transferred to V-GO disposal group (Note 2.8)	0	-13,692	-69,443
Currency translation	0	0	3,830
Cost at December 31, 2022	**0**	**0**	**0**
Amortization and impairment at January 1, 2022	0	13,692	14,353
Impairment for the year	2,530	0	0
Amortization for the year	0	0	2,057
Disposals	-2,530	0	0
Transferred to V-GO disposal group (Note 2.8)	0	-13,692	-17,361
Currency translation	0	0	951
Amortization and impairment at December 31, 2022	**0**	**0**	**0**
Carrying amount at December 31, 2022	**0**	**0**	**0**
Amortization and impairment for the financial year has been charged as:			
Research and development expenses	-2,530	0	0
Discontinued operations	0	0	-2,057
Total	**-2,530**	**0**	**-2,057**

Assets listed under Intellectual property and Physician relationship were all disposed of as a part of the V-GO disposal group. Please refer to note 2.8 for further information.

Licenses, rights and patents at January 1, 2022, comprised the license to the lead product candidate acquired with Encycle Therapeutics in October 2019. During 2022 the development program with the lead candidate was abandoned and it was decided to move on with another product candidate from the same patent instead. As a result the recognized asset was impaired and disposed.

Notes to the Consolidated financial statements.

3.1 Intangible assets (continued)

DKK thousand	Licenses, rights and patents	Intellectual property	Physician relationship
Cost at January 1, 2021	2,530	13,692	60,576
Additions	0	0	0
Currency translation	0	0	5,037
Cost at December 31, 2021	**2,530**	**13,692**	**65,613**
Amortization and impairment at January 1, 2021	0	13,692	5,621
Amortization for the year	0	0	7,859
Currency translation	0	0	873
Amortization and impairment at December 31, 2021	**0**	**13,692**	**14,353**
Carrying amount at December 31, 2021	**2,530**	**0**	**51,260**
Amortization for the financial year has been charged as:			
Discontinued operations	0	0	-7,859
Total	**0**	**0**	**-7,859**
Remaining amortization period	-	-	6.25 years

3.2 Property, plant and equipment

Accounting policies

Property, plant and equipment is mainly comprised of plant and machinery, other fixtures and fittings, leasehold improvements and assets under construction, which are measured at cost less accumulated depreciation. and any impairment losses.

The cost is comprised of the acquisition price and costs directly related to the acquisition until the asset is ready for use. Costs include direct costs and costs to subcontractors.

Depreciaion

Depreciation is calculated on a straight-line basis to allocate the cost of the assets, net of any residual value, over the estimated useful lives, which are as follows:

Leasehold improvements 5-13 years, but never longer than the lease term
Plant and machinery 5-10 years
Other fixtures and fittings 3-5 years

The useful lives and residual values are reviewed and adjusted if appropriate on a yearly basis. Assets under construction are not depreciated.

Impairment

If circumstances or changes in Zealand's operations indicate that the carrying amount of property, plant and equipment may not be recoverable, management reviews that asset for impairment.

The basis for the review is the recoverable amount of the assets, determined as the greater of the fair value less cost to sell or its value in use. Value in use is calculated as the net present value of future cash inflow or savings generated from the asset.

If the carrying amount is greater than the recoverable amount, the asset is written down to the recoverable amount. An impairment loss is recognized in the income statement when the impairment is identified.

Notes to the Consolidated financial statements.

3.2 Property, plant and equipment (continued)

DKK thousand	Plant and machinery	Other fixtures and fittings	Leasehold improvements	Assets under construction
Cost at January 1, 2022	90,797	15,835	36,600	12,112
Transfer	268	1,644	2,915	-4,827
Additions	2,985	73	293	6,089
Disposals	-1,433	-905	0	-10,092
Transferred to V-GO disposal group (Note 2.8)	-25,790	-763	-1,801	-2,563
Currency translation	1	113	186	151
Cost at December 31, 2022	**66,828**	**15,997**	**38,193**	**870**
Accumulated depreciation at January 1, 2022	54,216	9,240	5,434	0
Depreciation for the year	7,903	3,145	3,187	0
Impairment	742	71	0	10,092
Disposals	-1,433	-905	0	-10,092
Transferred to V-GO disposal group (Note 2.8)	-9,090	-357	-884	0
Currency translation	1	39	51	0
Accumulated depreciation and impairment at December 31, 2022	**52,339**	**11,233**	**7,788**	**0**
Carrying amount at December 31, 2022	**14,489**	**4,764**	**30,405**	**870**
Depreciation for the financial year has been charged as:				
Research and development expenses	-6,214	-2,315	-2,417	0
Selling and marketing expenses	0	-23	0	0
General and administrative expenses	0	-779	-770	0
Other operating items	-742	-71	0	-362
Discontinued operations	-1,689	-28	0	-9,730
Total	**-8,645**	**-3,216**	**-3,187**	**-10,092**

Impairment of assets under construction relates to production equipment for Zegalogue which is not expected to be used by the company. The amount is recognized as other operating items from discontinued operations.

DKK thousand	Plant and machinery	Other fixtures and fittings	Leasehold improvements	Assets under construction
Cost at January 1, 2021	85,898	15,279	34,104	3,023
Transfer	949	664	0	-1,613
Addition from business combinations				
Additions	7,118	1,444	2,449	11,122
Disposals	-3,169	-1,630	-84	-419
Currency translation	1	78	131	-1
Cost at December 31, 2021	**90,797**	**15,835**	**36,600**	**12,112**
Accumulated depreciation at January 1, 2021	43,987	6,942	2,335	0
Transfer	0	0	0	0
Depreciation for the year	11,558	3,461	3,128	0
Disposals	-1,330	-1,203	-73	0
Currency translation	1	40	44	0
Accumulated depreciation and impairment at December 31, 2021	**54,216**	**9,240**	**5,434**	**0**
Carrying amount at December 31, 2021	**36,581**	**6,595**	**31,166**	**12,112**
Depreciation for the financial year has been charged as:				
Research and development expenses	-3,621	-2,568	-2,715	0
Selling and marketing expenses	0	-92	0	0
General and administrative expenses	-786	-680	-413	0
Discontinued operations	-7,151	-121	0	0
Total	**-11,558**	**-3,461**	**-3,128**	**0**

Notes to the Consolidated financial statements.

3.3 Right-of-use assets and lease liabilities

Accounting policies

Zealand determines if an arrangement is a lease at inception. Zealand leases comprise various properties and cars. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

All leases are recognized in the balance sheet as a right-of-use ("ROU") asset with a corresponding lease liability, except for short term assets in which the lease term is 12 months or less, or low value assets. ROU assets represent Zealand's right to use an underlying asset for the lease term and lease liabilities represent Zealand's obligation to make lease payments arising from the lease.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives. As Zealand's leases do not provide an implicit interest rate, Zealand uses an incremental borrowing rate based on the information available at the commencement date of the lease in determining the present value of lease payments. Lease terms utilized by Zealand may include options to extend or terminate the lease when it is reasonably certain that Zealand will exercise that option. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Interest expenses related to the lease liability are classified in financial items.

ROU assets are measured at cost and include the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis over the lease term. The ROU assets are also subject to impairment considerations. Refer to accounting policies in note 3.2.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and low-value assets comprise IT equipment and small items of office furniture.

Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to right-of-use assets:

DKK thousand	Office Buildings	Other fixtures and fittings
As at January 1, 2022	133,371	1,623
Additions	0	736
Depreciation expense	-13,710	-778
Transfer to V-GO disposal group (Note 2.8)	-8,128	0
Currency translation	1,846	0
As at December 31, 2022	**113,379**	**1,581**
As at January 1, 2021	126,821	1,177
Additions	18,677	1,512
Depreciation expense	-13,177	-1,066
Currency translation	1,050	0
As at December 31, 2021	**133,371**	**1,623**

The Group leases office buildings, equipment and vehicles. The rental contract for the HQ office building has been made for a minimum period of 13 years (terminable by the landlord after 15 years). Management has assessed the lease period to be 13 years. The rental contract for the US office site has been made for a minimum period of 16 years with the oportunity to sublease. Equipment and vehicles are leased over a period of 3-4 years with no extension option.

Notes to the Consolidated financial statements.

3.3 Right-of-use assets and lease liabilities (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

DKK thousand	2022	2021
As at January 1	139,523	130,119
Additions	992	20,189
Accretion of interest	3,286	2,953
Payments	-13,719	-14,715
Transfer to V-GO disposal group (Note 2.8)	-8,836	0
Currency translation	1,483	977
As at December 31	**122,729**	**139,523**
Current	14,729	14,897
Non-current	108,000	124,626
The following are the amounts recognized in income statement:		
Depreciation expense of right-of-use assets	-14,488	-14,243
Interest expense on lease liabilities	-3,286	-2,953
Total amount recognized in profit and loss	**-17,774**	**-17,196**
Cash flow	-13,825	-14,715
Total cash outflow for leases	**-13,825**	**-14,715**
Depreciation for the financial year has been charged as:		
Research and development expenses	-10,375	-11,732
General and administrative expenses	-4,113	-2,511
Total	**-14,488**	**-14,243**

3.4 Other investments

Accounting policies

Other investments are measured at fair value on initial recognition and subsequently. Changes in fair value are recognized in the income statement under financial items.

The Group's other investments consist of an investment in Beta Bionics, Inc., the developer of iLet™, a fully integrated dual-hormone pump (bionic pancreas) for autonomous diabetes care. The investment in Beta Bionics, Inc. is measured at fair value through profit and loss. This investment represents 1.5 % (2021 :1.6%) ownership of Beta Bionics, Inc., and is measured at a fair value of DKK 30.9 million as of December 31, 2022 (DKK 26.9 million as of December 31, 2021).

Zealand is using the share price determined in the most recent share capital issuances by Beta Bionics, adjusted for value infliction points, as an indicator of the fair value of the shares. In particular, Beta Bionics closed a series C financing in February, 2022, which is used as the basis for determining fair value.

The following have been recognized as financial items:

DKK thousand	2022	2021
Other investments at January 1	26,907	32,333
Fair value adjustments	4,036	-5,426
Other investments at December 31	**30,943**	**26,907**

Reference is made to note 4.3 for fair value disclosures.

Notes to the Consolidated financial statements.

3.5 Inventories

Accounting policies

Raw materials, work in progress and finished goods are measured at the lower of cost and net realizable value. Cost is determined on a first in, first out basis and comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale.

Inventory manufactured prior to regulatory approval (prelaunch inventory) is capitalized but immediately provided for, until there is a high probability of regulatory approval for the product. A write-down is made against inventory, and the cost is recognized in the income statement as research and development costs. Once there is a high probability of regulatory approval being obtained, the write-down is reversed, up to no more than the original cost.

We review our inventory for excess or obsolescence and write down inventory that has no alternative uses to its net realizable. Economic conditions, customer demand and changes in purchasing and distribution can affect the carrying value of inventory. As circumstances warrant, we record provisions for potentially obsolete or slow-moving inventory and lower of cost or net realizable value inventory adjustments. In some instances, these adjustments can have a material effect on the financial results of an annual or interim period. In order to determine such adjustments, we evaluate the age, inventory turns, future sales forecasts and the estimated fair value of inventory.

Cost of goods sold
Cost of goods sold includes raw materials, labor costs, manufacturing overhead expenses and reserves for anticipated scrap and inventory obsolescence ●

DKK thousand	2022	2021
Raw materials	1,286	35,816
Work in process	0	29,588
Finished goods	0	53,032
Total	**1,286**	**118,436**

Write downs on inventory were comprised as follows:

DKK thousand	2022	2021
Accumulated write downs, January 1	-25,653	-27,409
Write downs in the reporting period	-45,547	-10,766
Utilization of write downs	16,867	12,641
Reversal of write downs	22,623	0
Exchange differences	-547	-119
Accumulated write downs, December 31	**-32,257**	**-25,653**

The write down and the reversal of write downs on inventory recognized in 2022 are included in other operating items. Please refer to note 2.7.

Management's judgements and estimates

With the March 30, 2022, restructuring announcement an allowance for loss on Zegalogue raw materials and finished goods of DKK 45.6 million were recognized due to uncertainties around the future sales channels for the product. The allowance is included as discontinued operations under other operating expenses as a restructuring cost. As all Zegalogue finished goods were transferred to Novo Nordisk as a result of the global license and development agreement announced in Q3, 2022, a partial reversal of the inventory allowance of DKK 22.6 million was recognized under other operating income from discontinued operations in 2022.

As of December 31, 2022, Zegalogue related raw materials and semi-finished goods at costs amounts to DKK 33.6 million. Due to uncertainties whether the materials will be utilized in the production under the supply agreement with Novo Nordisk, management has estimated the net realizable value to be DKK 1.3 million. The estimated is based on current projections.

Notes to the Consolidated financial statements.

3.6 Trade and other receivables

Accounting policies

Receivables are designated as financial assets measured at amortized cost and are initially measured at fair value or transaction price and subsequently measured in the balance sheet at amortized cost, which generally corresponds to nominal value less expected credit loss provision.

Zealand utilizes a simplified approach to measuring expected credit losses and uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, receivables have been grouped based on credit risk characteristics and the days past due. Expected credit losses as of December 31, 2022 and December 31, 2021 is immaterial.

Prepaid expenses include expenditures related to a future financial period. Prepaid expenses are measured at nominal value.

DKK thousand	2022	2021
Trade receivables	1,361	66,257
Receivables related to collaboration agreements	56,431	6,768
Prepaid expenses	63,088	81,082
Deposits	9,409	12,638
Other receivables	3,438	15,802
Total other receivables	**133,727**	**182,547**
Non-current	18,105	29,094
Current	115,622	153,453

3.7 Other financial assets

Accounting policies

Please refer to accounting policies for financial assets and liabillities in note 4.3.

DKK thousand	2022	2021
Other financial assets at January 1	0	0
Additions during the year	6,573	0
Fair value adjustments	319	0
Currency adjustments	9	0
Other financial assets at December 31	**6,901**	**0**

Other financial assets comprise the sales-related milestones from the divestment of V-Go. A maximum of four milestones of USD 2.5 million each can be achieved under the contract based on annual sales. The fair value has been determined using the risk-adjusted net present value method using a discount rate of 10% and an estimated probability of 50% and 25% respectively to reach the first two sales-related milestones.

Reference is made to note 4.3 for fair value disclosures.

Notes to the Consolidated financial statements.

3.8 Deferred revenue

The Group has recognized the following liabilities related to contracts with customers.

DKK thousand	2022	2021
Deferred revenue at January 1	67,584	97,769
Revenue recognized during the year	-67,584	-30,185
Total deferred revenue	**0**	**67,584**
Non-current	0	14,551
Current	0	53,033
Total deferred revenue	**0**	**67,584**

Deferred revenue occurred in connection with the agreement with Alexion Pharmaceuticals, Inc. as disclosed in Note 6.8. An up-front payment of DKK 177.3 million was received of which DKK 67.6 million has been recognized during DKK 2022 (2021: DKK 30.2 million and 2020: DKK 42.9 million).

All performance obligations associated with the upfront payment have been delivered by December 31, 2022. Future services delivered under the agreement with Alexion Pharmaceuticals will be compensated on a time and material basis.

3.9 Trade and other payables

Accounting policies

Please refer to accounting policies for financial assets and liabillities in note 4.3.

Discount and rebate liabilities represent amounts payable or credited to customers, usually based on the quantity or value of product sales to the customer for specific products in a certain period. Product sales rebates, which relate to product sales that occur over a period of time, are normally issued retrospectively. At the time product sales are invoiced, rebates and deductions that the Group expects to pay, are estimated. These rebates typically arise from sales contracts with government agencies, wholesalers, retail pharmacies, Managed Care and other customers, which are recorded at the time the related revenues are recorded or when the incentives are offered.

DKK thousand	2022	2021
Trade payables	53,156	88,996
Employee benefits	58,348	84,800
Accruals development projects	34,063	22,547
Payable treasury shares	41,600	41,600
Discount and rebate liabilities	2,201	28,695
Other payables	10,452	18,175
Total trade and other payables	**199.820**	**284,813**
Non-current	19,058	18,426
Current	180,762	266,387

Notes to the Consolidated financial statements.

4.

Capital structure, financial risk and related items

4.1 Capital management

Capital Management

Zealand's goal is to maintain a strong capital base to maintain investor, creditor and market confidence, and a continuous advancement of Zealand's product pipeline and business in general. Zealand is primarily financed through capital increases, long-term borrowings and partnership collaboration income. The Group had, as of December 31, 2022, a cash position of DKK 1,069.2 million of which DKK 348.6 million was subject to certain conditions as described in note 4.4. The cash position supports the advancement of our product pipeline and operations.

The adequacy of our available funds will depend on varius factors, including progress in our research and development programs, our commitments to existing and new clinical collaborators, our ability to establish commercial and licensing arrangements, our capital expenditures, market developments, and any future partnerships and acquisitions. Accordingly, we plan to raise additional funds through equity or debt financings, collaborative agreements with partners, or from other sources.

At the Zealand Annual Meeting held on April 6, 2022, the shareholders authorized the company to issue convertible debt instruments with access to conversion to shares in the Company of up to a total of nominally DKK 10,850,136 without pre-emption rights for existing shareholders in accordance with the Company's Articles of Association. This authorization covers the period until 15 April 2026, but has not been utilized as of December 31, 2022. At the annual general meeting on April 2, 2020 Zealand was authorized to increase the share capital by nominally DKK 9,013,665 during the period until April 2, 2025. At December 31, 2022 nominally DKK 1,630,000 of the authorization remains.

In December 2021 Zealand entered a USD 100.0 million long term borrowings agreement with Oberland. The loan was amended and partially repaid during 2022. Please refer to note 4.6 for further details.

In June of 2022 the company received gross proceeds of DKK 274.8 million from a directed issue and private placement. Zealand issued a total of 2,892,368 new shares at a subscription price of DKK 95 per share. In October 2022, the company received gross proceeds of DKK 786 million from a directed issue and private placement. Zealand issued a total of 4,975,000 new shares at a subscription price of DKK 158 per share.

In August 2022, the company announced Voluntary Delisting of American Depositary Shares from the U.S.-Based Nasdaq Global Select Market. The delisting was completed during Q4 2022.

The Company and the Board of Directors monitors the share and capital structure to ensure that Zealand's capital resources support the strategic goals. There was no change in the group's approach to capital management procedures in 2022. Neither Zealand Pharma A/S nor any of its subsidiaries are subject to externally imposed capital requirements other than the conditions related to the borrowing agreement (note 4.6).

Notes to the Consolidated financial statements.

4.2 Financial risks

Zealand is exposed to various financial risks, including foreign exchange rate risk, interest rate risk, credit risk and liquidity risk.

The objective of Zealand's financial management policy is to reduce the Group's sensitivity to fluctuations in exchange rates, interest rates, credit rating and liquidity. Zealand's financial management policy has been endorsed by Zealand's Audit Committee and ultimately approved by Zealand's Board of Directors.

Exchange rate risk

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

Due to Denmark's long-standing fixed exchange rate policy vis-à-vis the EUR, Zealand has evaluated that there is no material transaction exposure or exchange rate risk regarding transactions in EUR.

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

Currency exposures regarding our US activities are managed by having revenue and expenses in the same currency. An ongoing exposure assessment is conducted.

As Zealand conducts clinical trials and toxicology studies around the world and has activities in US, Zealand is exposed to exchange rate risks associated with the denominated currency, which is primarily USD based on volume and fluctuations against DKK. To date, Zealand's policy has been to manage the transaction and translation risk associated with the USD passively, by having a portion of the Group's cash and cash equivalents in a USD account to cover future payment of Zealand's expenses denominated in USD.

As of December 31, 2022, Zealand holds DKK 460.4 million (2021: DKK 862.9 million) of its cash in USD. Of these DKK 348.6 million (USD 50 million) is subject to certain conditions (note 4.4). Additionally, Zealand has a financial debt of DKK 336.8 million as well as embedded derivatives of DKK 80.6 million, both denominated in USD.

Interest rate risk

Zealand has a policy of avoiding financial instruments that expose the Group to any unintended financial risks.

During 2022, all cash has been held in current bank accounts in USD, EUR and DKK. Interest rates on bank deposits have been low to negative for an extended period of time, but have risen in late 2022 with the worldwide changes to the economical landscape.

Zealand has invested in low-risk marketable securities. The Group's marketable securities portfolio comprises company bonds and asset backed securities in USD. All bonds held as of the balance sheet date matures within the first three months of 2023.

As of December 31, 2022, Zealand has borrowings amounting to DKK 336.8 million (2021: DKK 656.1 million), embedded derivatives amounting to DKK 80.6 million (2021: DKK 0) and lease liabilities amounting to DKK 122.7 million (2021: DKK 139.5 million). Borrowings is measured at a fixed interest rate at 14.3%. Changes in interest rates has an effect on the fair value of the embedded derivatives. Please refer to note 4.6 for further. An increase in interest rates would be reflected in a increase in interest income from the group's cash balances.

Credit risk

Zealand is exposed to credit risk in respect of receivables, bank balances and bonds. The maximum credit risk corresponds to the carrying amount. Management believes that credit risk is limited, as the counterparties to the trade receivables are large global pharmaceutical companies and wholesalers.

Cash and bonds are not deemed to be subject to credit risk, as the counterparties are banks with investment-grade ratings (i.e. BBB- or higher from Standard & Poor's).

Liquidity risk

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

Zealand's short-term liquidity is managed and monitored by means of the Company's quarterly budget revisions to balance the demand for liquidity and maximize the Company's interest income by matching its free cash in fixed-rate, fixed-term bank deposits and bonds with its expected future cash burn.

Reference is made to going concern considerations in note 1.1 for further description of the going concern assessment.

Notes to the Consolidated financial statements.

4.2 Financial risks (continued)

Sensitivity analysis

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

	2022		2021	
DKK thousand	Fluctuation	Effect	Fluctuation	Effect
USD	+10%	21,209	+10%	20,675

Contractual maturity (liquidity risk)

A breakdown of the Group's aggregate liquidity risk on financial assets and liabilities is given below.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been prepared using the undiscounted cash flows for financial liabilities, based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that the specific timing of interest or principal flows is dependent on future events, the table has been prepared based on Management's best estimate of such timing at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

With the exception of leasing and borrowings, there are no interest cash flows to be included in the table below for the existing financial liabilities as they are not interest-bearing financial liabilities.

DKK thousand	< 12 months	1-5 Years	> 5 Years	Total	Carrying amount
Borrowings including embedded derivatives	260,970	191,515	37,996	490,481	401,346
Leasing liabilities	14,995	59,553	62,237	136,785	122,729
Trade and other payables	180,762	0	19,058	199,820	199,820
Total financial liabilities at December 31, 2022	**456,727**	**251,068**	**119,291**	**827,086**	**723,895**
Borrowings	50,954	252,042	736,410	1,039,406	647,906
Leasing liabilities	14,608	62,558	75,415	152,581	139,523
Trade and other payables	266,387	0	18,426	284,813	284,813
Total financial liabilities at December 31, 2021	**331,949**	**314,600**	**830,251**	**1,476,800**	**1,072,242**

All cash flows are non-discounted and include all liabilities under contracts but not contractual obligations related to payments under agreements for development projects, including CROs, as disclosed in note 6.5 , as their maturity dates are uncertain.

The expected future cash flows from borrowings including embedded derivatives are presented as management's probability weighted estimate for payments under the contract. The cash flow is expected cash flow is sensitive to the occurance of an call option trigger event as described in note 4.6.

Payments in USD are estimated based on USD 3m Libor rates as of 31 December 2022 translated into DKK at the USD/DKK rates applicable as of 31 December 2022.

Notes to the Consolidated financial statements.

4.3 Financial assets and liabilities

Accounting policies

Classification of Categories of Financial Assets and Liabilities:
Zealand classifies its financial assets held into the following measurement categories:

- *those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and*
- *those to be measured at amortized cost.*

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Zealand reclassifies debt investments only when its business model for managing those assets changes.

Further details about the accounting policy for each of the categories are outlined in the respective notes.

Fair Value Measurement
Zealand measures financial instruments, such as marketable securities, at fair value at each balance sheet date. Management assessed that the fair value of financial assets and liabilities measured at amortized cost such as bank deposits, receivables and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- *In the principal market for the asset or liability, or*
- *In the absence of a principal market, in the most advantageous market for the asset or liability.*

The principal or the most advantageous market must be accessible by Zealand.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Zealand uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For financial instruments that are measured in the balance sheet at fair value, IFRS 13 for financial instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy for:

- *Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities*
- *Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)*
- *Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).*

For assets and liabilities that are recognized in the financial statements on a recurring basis, Zealand determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Any transfers between the different levels are carried out at the end of the reporting period.

Notes to the Consolidated financial statements.

4.3 Financial assets and liabilities (continued)

DKK thousand	2022	2021
Categories of financial instruments		
Trade and other receivables excluding prepaid expenses	70,640	101,465
Financial assets at amortized costs	**70,640**	**101,465**
Marketable securities	108,611	299,042
Other investments	30,943	26,907
Other financial assets	6,901	0
Financial assets measured at fair value through profit or loss	**146,455**	**325,949**
Borrowings	320,743	647,906
Lease liabilities	122,729	139,523
Trade and other payables	199,820	284,813
Financial liabilities measured at amortized cost	**643,292**	**1,072,242**
Embedded derivates cf. note 4.6	80,603	0
Financial liabilities measured at fair value through profit or loss	**80,603**	**0**

		2022				2021			
DKK thousand	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value:									
Marketable securities	4.5	0	108,611	0	108,611	299,042	0	0	299,042
Other investments	3.4	0	0	30,943	30,943	0	0	26,907	26,907
Other financial assets	3.7	0	0	6,901	6,901	0	0	0	0
Financial assets measured at fair value through profit or loss		**0**	**108,611**	**37,844**	**146.455**	**299,042**	**0**	**26,907**	**325,949**
Liabilities measured at fair value:									
Embedded derivates	4.6	0	0	80,603	80,603	0	0	0	0
Financial liabilities measured at fair value through profit or loss		**0**	**0**	**80,603**	**80,603**	**0**	**0**	**0**	**0**

No transfer between fair value levels have occurred during 2022. The shift between level 1 and level 2 for marketable securities is caused by sale and acquisition of the portfolio.

Notes to the Consolidated financial statements.

4.4 Cash and cash equivalents

Accounting policies

Cash is measured on intitial recognition at cost.

DKK thousand	2022	2021
Cash and cash equivalents	720,626	472,525
Cash and cash equivalents (subject to certain conditions)	348,608	656,578
Total cash and cash equivalents	**1,069,234**	**1,129,103**

As of December 31, 2021, USD 100 million was subject to a liquidity covenant under which the Group had to hold the cash in a designated account until certain conditions were met. This covenant was lifted in 2022 as a consequense of the amendments to the loan agreement with Oberland as described in note 4.6.

Under the second amendment to the Oberland loan agreement signed on September 20, 2022, the outstanding principal of USD 50 million is to be held in a designated deposit account. As a result the amount is presented as cash and cash equivalents subject to certain conditions. The cash and securities can be released in increments of minimum USD 10.0 million upon request from the group subject to certain conditions as described in note 4.6.

4.5 Marketable securities

Accounting policies

Marketable securities consist of investments in securities with a maturity of ninety days or greater at the time of acquisition. Measurement of marketable securities depends on the business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which Zealand classifies its marketable securities:

- *Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.*
- *Fair value through profit and loss (FVPL): Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income (FVOCI) are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within financial income or expenses in the period in which it arises.*

Zealand's portfolio is managed and evaluated on a fair value basis in accordance with its stated investment guidelines and the information provided internally to management. This business model does not meet the criteria for amortized cost or FVOCI and as a result marketable securities are measured at fair value through profit and loss. This classification is consistent with the prior year's classification.

Transactions are recognized at trade date.

Notes to the Consolidated financial statements.

4.5 Marketable securities (continued)

DKK thousand	2022	2021
USD portfolio:		
Asset backed securities	24,392	0
Corporate bonds	84,219	0
Total USD portfolio	**108,611**	**0**
DKK portfolio:		
Equity investment in bond portfolio	0	299,042
Total DKK portfolio	**0**	**299,042**
Total portfolio	**108,611**	**299,042**

Per December 31, 2022, all outstanding securities matures within 3 months.

4.6 Borrowings

Accounting policies

On initial recognition borrowings are measured at fair value which is generally equal to the proceeds received. Fair value is allocated between the debt host contract and, if applicable, an embedded derivative. Transaction costs attributable to the debt host contract are deducted from the initial fair value and amortised over the term of the loan as part of the effective interest rate on the loan. Transaction costs attributable to a non-closely related embedded derivatives are expensed on initial recognition. Subsequently, borrowings are measured at amortised cost.

On initial recognition, borrowings are evaluated for the existence of non-closely related embedded derivatives, i.e. cash flows or potential cash flows whose economic characteristics and risks are not closely related to the economic characteristics and risks in the debt host contract such as prepayment options at amounts which are not substantially equal to the loan's amortised cost. The cash flows attributable to such non-closely related embedded derivatives are separated and accounted for as derivative financial instruments.

Loan commitments are not recognised. Lender fees and transaction costs attributable to unconditional loan commitments are treated as prepaid transaction costs if the Group expect to draw down on the facility. If the Group has no specific plans for draw down on the loan commitment, the transaction costs are amortised over the commitment period.

If a loan commitment is subject to meeting certain conditions, it is considered an unconditional loan commitment if the Group considers it probable that the conditions will be met.

Amendment of the terms of a loan is accounted for as an extinguishment of the original loan and recognition of a new liability reflecting the amended terms if the amended terms are substantially different from the original terms. Both quantitative and qualitive factors are considered. If the present value of the amended cash flows discounted at the original effective interest rate differs by 10% or more, the amendment is treated as an extinguishment. If the presented value of the amended cash flows differs by less than 10%, Management evaluates qualitative factors such as:

- *Change in collateral and restrictions of the use of proceeds*
- *Significant change in the term of the loan*
- *Change in loan currency and interest base*

All fees incurred in connection with a modification of the terms accounted for as an extinguishment are recognised as an expense.

Notes to the Consolidated financial statements.

4.6 Borrowings (continued)

DKK thousand	2022	2021
Borrowings at amortised cost	320,743	647,906
Embedded derivates at fair value	80,603	0
Total borrowings including embedded derivatives	**401,346**	**647,906**

On December 31, 2021, Zealand entered into a USD 100 million loan agreement with Oberland.

Following a change in the strategy announced on 30 March 2022, the conditions for release of the included liquidity covenant being trailing 6 months cumulative revenue of at least USD 50 million was considered unlikely to be met. Therefore, Zealand was as of this point in time effectively restricted from obtaining access to the funds, and Zealand's prepayment option, whose fair value was assessed to be immaterial upon issue of the loan, was considered to have a significant postive value as Zealand effectively would not gain access to the cash. The positive fair value was determined as the present value of future cash flows under the contract, compared with the cost of prepayng the loan. The basis for measuring fair value was determined to be an entity (market participant) which was expected not to meet the liquidity covenant and which needed the funds. Fair value was determined to amount to DKK 142.1 million based on the following assumptions:

Assumption	Value assigned to assumption
Cash flow loan	US LIBOR rate (annual forward rates) + 6% + "catch up" payment to arrive at an IRR of 9.75%
Deposit income	US LIBOR rate (annual forward rates)
Discount rate	11%

Fair value was determined mainly based on unobservable data (level 3). Please refer to the movement table presented on the following pages.

Following the first amendment 50% of Zealand's prepayment option was utilized (DKK 71.0 million was recognized under loss on settlement of borrowings). As a part of the amendment, all revenue-related liquidity covernants were lifted and Zealand gained assess to the cash. The premium on repayment of the loan within the first four years of the agreement was also increased. As a result it is management's assessment the value of Zealand's prepayment option as of December 31, 2022 is immaterial.

During the financial year, the loan agreement with Oberland have been amended twice.

Oberland amendment no. I
On May 10, 2022, Zealand entered into an agreement to amend certain terms of the Oberland loan. The amendments were as follows:

- Prepayment of 50% of the USD 100 million principal which including a prepayment premium of 20% amounts to USD 60 million
- Removal of the liquidity covenant meaning that Zealand has no limitations in respect of utilizing the cash held by the Group
- Lender option renegotiated to include aditional assets
- Increase in premium which Zealand is required to pay in case of repayment within the first four years of the agreement (refer to repayment amount section below)
- Potential for a further $75 million incremental capital following specific events

Management considers the amendments to comprise terms which are substantially different from the term applicable prior to the amendment. Consequently, the modification has been accounted for as an extinguishment of the loan subject to the original terms and recognition of a new liability. Under the amended terms, Management estimates that fair value of the Zealand prepayment option for the remaining outstanding amount is insignificant due to the fact that release from the liquidity covenant a market participant would not benefit from prepaying the loan due to the fact that the funds are available for use for a market participant. For the prepaid notional amount of USD 50 million, DKK 131.4 million was recognised as loss on settlement of borrowings under financial expenses. The amount comprises utilization of the prepayment option (DKK 71.0 million) and premium on settlement of debts (DKK 60.4 million). The cash outflow from debts of DKK 436.1 million comprises the premium on settlement of debts (DKK 56.7 million), repayment of USD 51.7 million (DKK 365.4 million) and a prepayment of USD 2.0 million (DKK 14.0 million) which will be offset against future repayments.

Fair value of the amended loan (USD 50 million) was measured at DKK 367.1 million of which the fair value of the lender call option accounted for DKK 18.0 million. A loss of DKK 14.6 was recognized as a consequence of the derecognition. As discussed below under the section "Fair value measurement", the lender call option is assessed to have a significant fair value as of the modification date and has been separated from the debt host contract.

Notes to the Consolidated financial statements.

4.6 Borrowings (continued)

Oberland amendment no. II

On 20 September 2022, the Company entered into the Second Amendment to the Note Purchase Agreement to address certain non-financial events of default by Zealand, which Oberland Capital waived pursuant to the amendment. The Second Amendment introduced two conditions for the release of the USD 50 million held in a Zealand Pharma A/S account that is controlled by Oberland Capital, one of which was satisfied. Upon satisfaction of the second condition, which relates to the fulfillment of certain post-closing obligations, Zealand may transfer funds from such account in increments of USD 10 million for purposes of operating Zealand's business in the ordinary course upon prior notice to Oberland Capital. There are currently no other outstanding events of default under the Note Purchase Agreement.

Fair value of the amended loan (USD 50 million) was assessed to be DKK 398.8 million of which the fair value of the lender call option accounted for DKK 45.0 million. A gain of DKK 23.5 was recognized as a consequence of the derecognition. Please refer to the section "Fair value measurement" for further information about the measurment of the option.

Loan terms following amendment 2

Loan amount, tranche 1:	USD 50 million
Maturity date:	December 30, 2028

Repayment profile:	**Repayment at maturity:**
Base Interest:	3 months US Libor with a floor of 0.25%
Credit spread:	6% p.a., fixed over the term of the contract
Revenue participation payments:	Draw down on tranche 1: 1.33% of consolidated revenue per financial year, not exceeding 75 MUSD.
Lender call option to require repayment of the debt:	Change of control event Sale of assets or licenses – proceeds from sale to be used to repay the loan, however, no more than up to 75% of the net proceeds.
Zealand option to prepay the debt:	Throughout the term of the loan

Repayment amount:	
Until January 1, 2027:	An amount equal to the greater of 150.0% of the principal amount of the Notes issued and the amount (greater than zero) that would generate an internal rate of return to the lender equal to 12.0% on the aggregate purchase price paid for such Notes, calculated from the First Purchase Date to the fifth anniversary of the First Purchase Date. In any case less any interests and revenue participation amounts already paid.
From January 1, 2027 until maturity:	An amount equal to the greater of 150.0% of the principal amount of the Notes issued and the amount (greater than zero) that would generate an internal rate of return to the lender equal to 11.0% on the aggregate purchase price paid for such Notes, calculated from the First Purchase Date to the date of repayment. In any case less any interests and revenue participation amounts already paid.
At maturity:	At the principal amount or if investor IRR is lower than 9.75% p.a. including interest payments, revenue participation payments and lender-required repayments, an additional amount

Designated deposit account

The outstanding principal of USD 50 million must be held in an Designated Deposit Account until the following conditions have been met:

- Zealand has achieved the Qualified Glepaglutide Endpoint, and
- All counterparties in Material Product agreements have delivered consents

A Designated Deposit Account is an account subject to a so-called control agreement, i.e. an agreement under which a bank account in the name of Zealand Pharma is controlled by the lender. The funds can be released in increments of USD 10 million for purposes of operating Zealand's business in the ordinary course upon prior notice to Oberland Capital.

Notes to the Consolidated financial statements.

4.6 Borrowings (continued)

Accounting Assessment
Management has assessed the contract for non closely related embedded derivatives and has concluded that the prepayment option and the lender call option are not closely related to the debt host contract due to the fact that the repayment amount could differ with more than an insignificant amount from the debts amortised cost.

The revenue based payments are not separated from the debt host contract but are initially considered part of the expected cash flows and included in determining the effective interest rate. The loan is remeasured upon a reassessment of the expected revenue-based payment. The loan is remeasured to the present value of the revised payments, discounted at the original effective rate, adjusted for subsequent changes in the 3 Month Libor rate.

Management's judgements and estimates

Fair value measurement of lender's call option
Following Zealand's change in strategy to actively seek partnerships and the renegotiation of the lender call option to include more assets with the amendment made on 10 May 2022, the likelihood of an event triggering repayment was significantly increased. Fair value of the lender call option was determined as the difference between the present value of the probability weighted contractual cash flow upon the occurrence of a call option trigger event and the present value of the contractual cash flows without a call option trigger event occurring, discounted at the expected internal rate of return of 14.3%. It is assumed that any call option trigger event will result in full repayment of the loan. Fair value as of 31 December 2022 was determined using the same method, based on revised probabilities and market rates for comparable investments as of 31 December 2022. In line with the announced company goals for 2023 to engage in strategic partnerships, the likelyhood of a lender call option trigger event within the next two years is assessed as realistic. Fair value of the option amounted to DKK 18.0 million as of 10 May, 2022 and DKK 80.6 million as of 31 December 2022. The fair value change, DKK 62.6 million, is included in financial items.

Fair value measurement is to a significant extent based on unobservable input (level 3) being the likelihood and timing of a call option trigger event. A decrease in likelihood of a trigger event occurring and occurrence at a later point in time than anticipated will decrease the negative value. Further, the discount rate will impact the valuation. An increase in the discount rate will increase the negative value and vice versa. The below table summarizes the effect of reasonably possible changes in the assumption applied. Finally an increase in the USD 3m Libor will decrease the negative value of the option, as it will increase the contractual cash flow of the contract without a trigger event occuring. A decrease in USD 3m Libor will have the opposite effect.

Change in variable	Change in fair value
Trigger event 3 months later	Decrease in negative value of DKK 11.2 million
Discount rate + 1%	Increase in negative value of DKK 7.2 million
Discount rate – 1%	Decrease in negative value of DKK 7.8 million
USD 3m Libor + 1%	Decrease in negative value of DKK 12.1 million
USD 3m Libor - 1%	Increase in negative value of DKK 12.1 million

The Group has up until now not held complex financial instruments measured at fair value and has only recently implemented processes for determining fair value of such instruments. Third party valuation specialists have been engaged to assist in determining the fair value of both the Zealand prepayment option and the lender call option as of 10 May, 20 September and 31 December 2022.

Fair value of the loan agreement including embedded derivatives as of 31 December 2022 is assessed to be equal to its carrying amount of DKK 401 million (31 December 2021: DKK 656 million). The assessment is based on comparison of the effective yield of quoted bonds for CCC rated entities as of 31 December 2022. Valuation is based mainly on unobservable data (level 3).

Fair value measurement of Zealand's prepayment option
Following the first amendment of the Oberland loan all revenue-related liquidity covenants were lifted and Zealand gained assess to the cash. The premium on repayment of the loan within the first four years of the agreement was also increased. As a result it is management's assessment the the value of Zealand's prepayment option as of December 31, 2022 is immaterial.

Collateral provided
The Group has provided floating charge collateral covering with all assets in the company which can be collateralized, including shares in subsidiaries, as collateral for the debt to Oberland.

Notes to the Consolidated financial statements.

4.6 Borrowings (continued)

Changes arising from Oberland loan agreement - including changes for level 3 embedded derivatives

		Cash changes		Non-cash changes								
	Carrying value as at December 31, 2021	Repayment of debt, including premium	Payment of interests	Loss on settlement	Loss on debt recognition - amendment I	Bifurcation of embedded derivatives	Gain on debt recognition - amendment II	Fair value adjustments	Amortization	Interests accrued	Currency adjustments	Carrying value as at December 31, 2022
Borrowings as amortized costs	647,906	-422,085	0	60,387	22,381	-18,017	-18,581	0	1,337	0	47,829	320,743
Embedded derivatives at fair value - Zealand prepayment option	0	0	0	71,050	0	0	0	-71,050	0	0	0	0
Embedded derivatives at fair value - Lender call option	0	0	0	0	0	18,017	0	62,613	0	0	-27	80,603
Other receivables	0	-14,003	-32,651	0	-7,764	0	-4,890	0	0	54,052	-2,928	-8,184
Total impact from Oberland loan agreement	**647,906**	**-436,088**	**-32,651**	**131,437**	**14,617**	**0**	**-23,471**	**-8,437**	**1,337**	**54,052**	**44,460**	**393,162**

Notes to the Consolidated financial statements.

4.7 Financial items

Accounting policies

Financial items include interests, as well as foreign exchange rate adjustments, fair value adjustments of other investments, embedded derivatives and marketable securities and dividends from marketable securities.

DKK thousand	2022	2021	2020
Interest income	6,542	44	895
Interest expenses and banking fees	-56,455	-4,091	-2,895
Fair value adjustments of embedded derivatives - Zealand prepayment option	71,050	0	0
Loss on settlement of borrowings	-131,437	0	0
Loss on debt recognition - amendment I	-14,617	0	0
Gain on debt recognition - amendment II	23,471		
Fair value adjustments of embedded derivatives - lender call option	-62,613	0	0
Fair value adjustments of marketable securities	-1,699	1,852	-2,103
Fair value adjustments of other investments	4,036	-5,426	936
Exchange rate adjustments (primarily on USD deposits)	25,602	36,524	-39,487
Amortization of loan costs	-1,337	0	0
Other financial items	2,569	-3,473	-4,620
Financial items in total	**-134,888**	**25,430**	**-47,274**
Presentation in financial statement:			
Financial income	133,270	41,211	1,831
Financial expense	-268,158	-15,781	-49,105

Interst expeses and banking fees have increased due to the loan agreement with Oberland as described in note 4.6.

Fair value adjustments of Zealand's prepayment option relate to the prepayment option included in the loan agreement with Oberland. Please refer to note 4.6 for further information.

Loss on settlement of borrowings relates to the utilization of the prepayment option from the loan agreement with Oberland and comprise the partial utilization of the prepayment option, the premium paid and the capitalized loan costs which have been fully expensed. Reference is made to note 4.6 for further information.

Gain on debt modifications comprise the accounting impact of the two amendments to the Oberland agreement as described in note 4.6.

Fair value adjustment of lender call option relates to the value adjustments of Oberland's option to call for repayment of the loan under certain conditions. For further information please refer to note 4.6.

Notes to the Consolidated financial statements.

4.8 Share capital

Accounting policies

The total amount paid to acquire treasury shares including directly attributable costs and the proceeds from the sale of treasury shares are recognized in retained earnings. Expenses directly related to capital increases are recognized in equity.

DKK thousand	2022	2021
January 1	43,634	39,800
Shares issued for cash	7,867	3,834
Exercise of warrants	201	0
December 31	**51,702**	**43,634**

The share capital solely consists of one class of ordinary shares all issued of DKK 1 each and all shares rank equally. The shares are negotiable instruments with no restrictions on their transferability. All shares have been fully paid. At the annual general meeting on April 2, 2020 Zealand was authorized to increase the nominal share capital by nominally DKK 9,013,665 during the period until April 2, 2025. At December 31, 2022 nominally DKK 1,630,000 of the authorization remains. The company have a unused authorizaion to issue convertible debt instruments with access to conversion to shares in the Company of up to a total of nominally DKK 10,850,136.This authorization covers the period until 15 April 2026.

On June 1, 2022 Zealand announced a directed issue and private placement of a total of 2,892,368 new shares at a subscription price of DKK 95 per share. On October 4, 2022, The Group announced that a directed issue and private placement of 4,975,000 new shares had been completed at a subscription price of DKK 158 per share.

During 2022, a total of 200,588 new shares have been issued due to exercise of warrant programs with a net proceeds of DKK 23.8 million corresponding to an average exercise price of DKK 118.8.

Treasury shares

At December 31, 2022, there were 230,063 treasury shares (2021: 418,247), equivalent to 0.4% (2021: 1.0%) of the share capital. The treasury shares are allocated to performance share units (PSUs) and restricted stock units (RSUs).

Rules on changing the Articles of Association

All resolutions put to the vote of shareholders at general meetings are subject to adoption by a simple majority of votes, unless the Danish Companies Act 'Selskabsloven' or our Articles of Association prescribe other requirements.

4.9 Share-based instruments

In order to motivate and retain key employees, management and board of directors and to encourage the achievement of common goals for employees, management and shareholders, the Group has established incentive plans based on Restricted stock units (RSUs), Performance stock units (PSUs) and warrants.

RSUs grants the beneficiary the right to receive one of the company's already issued shares upon vesting. There are no vesting conditions except time.

PSUs also grant the beneficiary the right to receive one already exsisting share upon vesting. Vesting conditions for PSUs contains both a time and a performance element.

Warrants grants the beneficiary the option to purchase a new share at a fixed price upon vesting. The only vesting condition is time.

PSU programs

The number of performance share units granted in 2022 consists of 266,223 granted on May 25 and 20,590 granted on Dec 2. The value is determined based on the Company's share price on Nasdaq Copenhagen A/S on the day of the grant.

The programs granted in 2022 are initially valued at DKK 28.3 million (2021: DKK 51.7 million). The PSU's vest linear or gradually over 3 years.

Movement table of PSU granted shares below:

No of PSUs	2022	2021	2020
Number of share units			
At January 1	271,761	19,765	19,765
Adjustments due to performance targets	35,948	0	0
Granted during the year	286,813	282,852	0
Vested during the year	-71,780	0	0
Forfeited during the year	-164,941	-30,856	0
At December 31	**357,801**	**271,761**	**19,765**

Notes to the Consolidated financial statements.

4.9 Share-based instruments (continued)

RSU programs

The number of restricted share units granted in 2022 consists of 8,511 granted on February 22, 40,500 granted on April 20, and 99,420 granted on May 25. The value is determined based on the Company's share price on Nasdaq Copenhagen A/S on the day of the grant.

The RSUs granted in 2022 are initially valued at DKK 13.6 million (2021: DKK 92.2 million). The RSU's vest linear or gradually over 3 years.

Movement table of RSU granted shares below:

No of RSUs	2022	2021	2020
Number of share units			
At January 1	460.089	27,466	0
Granted during the year	148,431	507,461	27,466
Vested during the year	-116,563	-163	0
Forfeited during the year	-208,685	-74,675	0
At December 31	**283,272**	**460,089**	**27,466**

Warrant programs

Incentive programs with outstanding warrants and the end of 2022 and 2021, respectively, have been offered under different warrant programs. The number of warrants granted in 2022 consists of 863,156 granted on May 25, 19,796 granted on September 13 and 14,038 granted on December 2.

The warrants granted in 2022 are initially valued at DKK 38.9 million (2021: DKK 0.0 million). The warrants vest linearly or gradually over 3 years.

	The employee incentive programs of		
Warrant programs existing during the period	**2022**	**2020**	**2015**
Maximum years of options granted	5 and 10 years	5 and 10 years	5 years
Method of settlement	equity-settled	equity-settled	equity-settled
2022			
Warrants outstanding at the beginning of the period	0	510,522	966,672
Granted during the period	896,990	0	0
Forfeited during the period	-76,158	-134,051	-20,093
Exercised during the period	0	0	-200,588
Expired during the period	0	-95,281	-298,583
Number of warrants outstanding at the end of the period	**820,832**	**281,190**	**447,408**
Exercisable at the end of the period	0	17,750	447,408
Warrants outstanding at the end of the period			
Range of exercise prices	90.7-203	216.8-224.4	90-220
Weighted-average remaining contractual life	7.9	7.3	0.9
Number held by Executive Management	136,815	23,325	107,961

The Board of Directors have not been granted warrants.

Notes to the Consolidated financial statements.

4.9 Share-based instruments (continued)

Warrant programs existing during the period	The employee incentive programs of 2020	2015
Maximum years of options granted	10 years	5 years
Method of settlement	equity-settled	equity-settled
2021		
Warrants outstanding at the beginning of the period	672,258	1,299,879
Granted during the period	0	0
Forfeited during the period	-137,403	-44,917
Exercised during the period	0	-233,595
Expired during the period	-24,333	-54,695
Number of warrants outstanding at the end of the period	**510,522**	**966,672**
Exercisable at the end of the period	67,346	483,323
Warrants outstanding at the end of the period		
Range of exercise prices	216.8-224.4	90-220
Weighted-average remaining contractual life	8.3	1.7
Number held by Executive Management	86,238	267,171

Warrants exercised during the period	2022	2021
Weighted-average share price at the date of exercise	189.0	186.1
Weighted-average exercise price for warrants expired during the period	158.1	142.5
Weighted-average exercise price for warrants forfeited during the period	175.2	206.2
Weighted-average exercise price for warrants outstanding at period end	124.7	159.6

Notes to the Consolidated financial statements.

5. Tax

5.1 Corporate tax

Accounting policies

Income tax on results for the year, which comprises current tax and changes in deferred tax, is recognized in the income statement, except to the extent that the tax is attributable to items which directly relate to shareholders' equity or other comprehensive income.

Current tax liabilities and current tax receivables are measure at the amounts expected to be paid to or recovered from the tax authorities.

Deferred tax is accounted for under the liability method which requires recognition of deferred tax on all temporary differences between the carrying amount of assets and liabilities and the tax base of such assets and liabilities. This includes the tax value of tax loses carried forward.

Deferred tax is calculated in accordance with the tax regulations in the local countries and the tax rates expected to be in force at the time the deferred tax is utilized. Changes in deferred tax as a result of changes in tax rates are recognized in the income statement.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the differences can be utilized.

Management's judgements and estimates

Zealand recognizes deferred tax assets, including the tax base of tax loss carryforwards, 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 numerous factors, including actual results, budgets and business plans for the coming years.

The creation and development of therapeutic products within the biotechnology and pharmaceutical industry is subject to considerable risks and uncertainties. Zealand's future taxable income will be driven by future events that are highly susceptible to factors outside of the groups control including outcomes of clinical trials, regulatory approvals and other matters.

Due to the uncertainties described, Management has concluded no deferred tax assets should be recognized at December 31, 2022 (none recognized in 2021 or 2020), except for the US entity, which is expected to have profitable taxable income due to the groups transfer pricing setup.

Notes to the Consolidated financial statements.

5.1 Corporate tax (continued)

DKK thousand	2022	2021	2020
Net result for the year before tax	-1,195,491	-1,026,940	-839,653
Corporate tax rate in Denmark	22.0%	22.0%	22.0%
Expected tax benefit	-263,008	-225,927	-184,724
Adjustment for foreign tax rates	-806	461	769
Adjustment for non-deductible expenses	1,052	888	-1,927
Adjustment for non-taxable income	-468	0	6,844
Adjustment for warrants	5,935	11,573	-2,387
Adjustment for R&D extra deduction	-20,960	-14,379	8,811
Adjustment to prior year	800	-12,602	-931
Change in tax assets (not recognized)	283,493	231,195	180,621
Total income tax expense/(benefit)	**6,644**	**-8,790**	**7,076**
- hereoff related to discontinued operations	**-13,075**	**-4,842**	**-11,890**
Total income tax expense/(benefit) from continuing operations	**-6,431**	**-3,949**	**-4,814**

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DKK thousand	2022	2021	2020
Specification of deferred tax assets:			
Tax losses carried forward (available indefinitely)	3,312,022	2,231,049	1,281,505
Research and development expenses	956,816	842,775	732,389
Intangible assets	107,231	51,154	40,373
Non-current assets	105,323	89,414	66,419
Liabilities	77,168	126,174	188,787
Other	103,278	55,075	58,483
Total temporary differences	**4,661,838**	**3,395,641**	**2,367,956**
Calculated potential deferred tax asset at local tax rate	1,026,257	749,198	514,239
Deferred tax asset not expected to be utilized	-1,024,240	-735,673	-505,869
Recognized deferred tax asset	**2,017**	**13,525**	**8,370**

Under Danish tax legislation, Zealand is eligible to receive DKK 5.5 million in 2022 (DKK 5.5 million in 2021 and 2020) in tax return based on qualifying research and development expenses.

Unrecognized deferred tax assets relate to tax jurisdictions in Denmark and US.

Notes to the Consolidated financial statements.

6. Other disclosures

Notes to the Consolidated financial statements.

6.1 Remuneration of the Board of Directors and Executive Management

	2022			2021			2020		
DKK thousand	Base board fees	Share-based compensation	Total fees	Base board fees	Share-based compensation	Total fees	Base board fees	Committee fees	Total fees
Remuneration to the Board of Directors									
Martin Nicklasson	100	968	1,068	100	1,181	1,281	750	100	850
Kirsten Drejer	100	484	584	100	590	690	500	0	500
Alain Munoz	100	545	645	100	664	764	400	50	450
Michael Owen	100	545	645	100	664	764	400	50	450
Bernadette Mary Connaughton	100	484	584	100	590	690	400	33	433
Jeffrey Berkowitz	100	484	584	100	590	690	400	50	450
Leonard Kruimer	100	666	766	100	812	912	400	150	550
Jens Peter Stenvang[1]	100	182	282	100	221	321	400	0	400
Gertrud Koefoed Rasmussen[1,2]	0	0	0	67	0	67	267	0	267
Frederik Barfoed Beck[1]	100	182	282	100	221	321	267	0	267
Iben Louise Gjelstrup[1]	100	182	282	100	221	321	267	0	267
Hanne Heidenheim Bak[1,2]	0	0	0	0	0	0	133	0	133
Anneline Nansen[1,3]	100	96	196	33	0	33	0	0	0
Total	**1,100**	**4,818**	**5,918**	**1,100**	**5,754**	**6,854**	**4,584**	**433**	**5,017**

[1] Employee-elected board members; the table only includes remuneration for board work.

[2] Hanne Heidenheim Bak resigned from the board in 2020 and Gertrud Koefod Rasmussen resigned from the Board in 2021.

[3] Anneline Nansen joined the Board in 2021.

The disclosed remuneration for board members excludes minor mandatory social security costs paid by the company.

It also excludes reimbursed expenses incurred in connection with board meetings, such as travel and accommodation.

Notes to the Consolidated financial statements.

6.1 Remuneration of the Board of Directors and Executive Management (continued)

DKK thousand	Base salary	Bonus	Pension contribution	Other short term benefits	Share-based compensation	Severance payments	Total
2022							
Remuneration to the Executive Management							
Adam Sinding Steensberg[1]	4,162	2,366	832	725	11,061	0	19,146
Henriette Wennicke[2]	420	168	84	41	225	0	938
Emmanuel Dulac[3]	2,626	1,575	525	122	-3,265	6,564	8,147
Matthew Donald Dallas[4]	2,248	860	46	234	-581	3,194	6,001
Total	**9,456**	**4,969**	**1,487**	**1,122**	**7,440**	**9,758**	**34,232**
Total Other Corporate Management[5]	**9,826**	**4,204**	**1,009**	**879**	**10,986**	**3,033**	**29,938**
Total	**19,282**	**9,173**	**2,496**	**2,001**	**18,426**	**12,791**	**64,170**
2021							
Remuneration to the Executive Management							
Adam Sinding Steensberg[1]	3,056	1,193	611	286	4,829	0	9,975
Emmanuel Dulac[3]	5,099	3,059	1,020	243	12,182	0	21,603
Matthew Donald Dallas[4]	2,878	1,182	37	48	4,086	0	8,232
Total	**11,033**	**5,434**	**1,668**	**577**	**21,097**	**0**	**39,809**
Total Other Corporate Management[5]	**9,022**	**3,429**	**497**	**564**	**8,319**	**2,772**	**24,603**
Total	**20,055**	**8,863**	**2,165**	**1,141**	**29,416**	**2,772**	**64,412**
2020							
Remuneration to the Executive Management							
Adam Sinding Steensberg[1]	2,967	1,266	593	282	2,281	0	7,389
Emmanuel Dulac[3]	4,950	3,267	990	699	2,534	0	12,440
Matthew Donald Dallas[4]	2,721	1,191	36	15	1,707	0	5,670
Total	**10,638**	**5,724**	**1,619**	**996**	**6,522**	**0**	**25,499**
Total other Corporate Management[5]	**6,386**	**2,739**	**313**	**286**	**3,423**	**0**	**13,147**
Total	**17,024**	**8,463**	**1,932**	**1,282**	**9,945**	**0**	**38,646**

1 Former EVP, R&D and CMO Adam Sinding Steensberg was appointed CEO at March 30, 2022.

2 Henriette Wennicke was appointed as CFO at November 1, 2022.

3 Former CEO Emmanuel Dulac resigned from Zealand at March 30, 2022.

4 Former CFO Matthew Donald Dallas resigned from Zealand at August 31, 2022.

5 Other Corporate Management in 2022 comprised four members (2021: three and 2020: three.)

Notes to the Consolidated financial statements.

6.2 Business overview

Zealand Pharma A/S (Nasdaq: ZEAL) ("Zealand", the "Company", the "Group", "Zealand" and "we") is a biotechnology company focused on the discovery and development of innovative peptide-based medicines. The Groups' domicile is in Copenhagen, Denmark.

DKK thousand	Domicile	Owner-ship	Voting rights
Zealand Pharma A/S (ultimate parent) direct and indirect subsidiaries			
ZP Holding SPV K/S	Denmark	100%	100%
ZP General Partner 1 ApS	Denmark	100%	100%
Zealand Pharma US Inc.	United States	100%	100%
ZP SPV 3 K/S	Denmark	100%	100%
ZP General Partner 3 ApS	Denmark	100%	100%
ZP SPV 1 K/S	Denmark	100%	100%
ZP General Partner 2 ApS	Denmark	100%	100%
Zealand Pharma California US, LLC.	United States	100%	100%

6.3 Fees to auditors appointed at the annual general meeting

DKK thousand	2022	2021	2020
Audit	7,862	7,053	5,941
Audit-related services and other assurance engagements	1,760	1,265	1,002
Other	389	282	0
Total fees	**10,011**	**8,600**	**6,943**

The fee for audit-related services and other assurance engagements and other services provided to the Group by EY Godkendt Revisionspartnerselskab in 2022, 2021 and 2020 consisted of Audit of Annual Report, Audit of 20-F SEC filing, including SOX 404b attestation procedures, quarterly reviews, other auditor's reports on various statements for public authorities, and other accounting advisory services.

6.4 Contingent assets and liabilities

Contingent Assets and liabilities

Zealand is entitled to potential milestone payments and royalties on successful commercialization of products developed under license and collaboration agreements with partners. Since the size and timing of such payments are uncertain until the milestones are reached or sales are generated, the agreements may qualify as contingent assets. However, it is impossible to measure the value of contingent assets, and as such, no assets have been recognized.

As part of the license and collaboration agreements that Zealand has entered into, once a product is developed and commercialized, Zealand may be required to make milestone and royalty payments. It is not possible to measure the value of such future payments, but Zealand expects to generate future income from such products which will exceed any milestone and royalty payments due, and as such, no liabilities have been recognized.

Reference is made to note 6.8 for descriptions of Zealands collaboration and license agreements.

6.5 Commitments

Guarantees and Collaterals

The Group has provided floating charge collateral covering with all assets in the company which can be collateralized, including shares in subsidiaries, as collateral for the debt to Oberland.

Other Purchase Obligations

At December 31, 2022, total contractual obligations related to agreements for development projects, including CROs, amounted to DKK 220.5 million (DKK 140.7 million for 2023 and DKK 79.8 million for the years 2024 up to and including 2026).

6.6 Related parties

Zealand has no related parties with controlling interest.

Zealand's other related parties comprise the Company's Board of Directors and Corporate Management. Other than the remuneration and other transactions relating to the Board of Directors and Executive Management described in note 6.1. There were no other material related party transactions during 2022, 2021 and 2020.

Notes to the Consolidated financial statements.

6.7 Cash flow adjustments

DKK thousand	2022	2021	2020
Depreciation, amortization and impairment	117,961	42,946	42,692
Deferred revenue	-67,584	-30,185	-42,881
Bargain purchase	0	0	-36,395
Share-based compensation expenses	52,576	53,504	30,485
Income tax	9,893	-1,190	9,865
Financial income	-37,780	-1,896	-1,127
Financial expenses	174,927	16,674	3,511
Fair value adjustments	-3,590	6,520	0
Exchange rate adjustments	23,219	-68,943	57,712
Total adjustments	**269,622**	**17,430**	**63,862**

DKK thousand	2022	2021	2020
(Increase)/decrease in receivables	18,221	-64,494	-7,716
(Increase)/decrease in Inventory	50,691	-52,772	-14,404
Increase/(decrease) in payables and other liabilities	-58,649	-49,059	119,938
Change in working capital	**10,263**	**-166,325**	**97,818**

6.8 Collaborations and technology licenses

Collaboration and license agreements

Zealand enters into collaborations with biotechnology and pharmaceutical companies to advance the development and commercialization of our product candidates and to supplement our internal pipeline. Zealand seeks collaborations that will allow Zealand to retain significant future participation in product sales through either profit-sharing or royalties paid on net sales. Below is an overview of Zealand's collaboration and license agreements that have had a significant impact or are expected in the near term to have a significant impact on financial results.

With reference to note 6.4, each agreement is marked with CA (contingent asset) and CL (contingent liability) if applicable.

Alexion (Inflammation) (CA)

In March 2019, Zealand entered into a license, research and development agreement with Alexion to develop novel therapies to treat complement-mediated diseases.

The collaboration with Alexion includes a lead program targeting the Complement pathway and the potential to work on the identification of peptide inhibitors to up to three additional components of the complement cascade. Zealand will lead the joint discovery and research efforts through the preclinical stage, and Alexion will lead development efforts beginning with IND filing and Phase 1 studies. The agreement provides Alexion with exclusive worldwide licenses and commercial rights to the peptide therapies developed in the collaboration.

Under the Alexion license, research and development agreement, Zealand received an upfront non-refundable payment of USD 25.0 million for the complement inhibitor program and a concurrent USD 15.0 million equity investment in Zealand at a premium to the market price. The agreement also provides the potential for development-related milestones of up to USD 115.0 million, as well as up to USD 495.0 million in sales-based milestones and high single- to low double-digit royalty payments. Zealand is eligible to receive further non-refundable upfront payments of USD 15.0 million each for up to three additional targets, as well as development/regulatory and sales milestones plus royalties at a reduced rate to the lead target.

Zealand receives compensation on a time and material basis for certain research and development services delivered under the contract.

Notes to the Consolidated financial statements.

6.8 Collaborations and technology licenses (continued)

Beta Bionics (Dasiglucagon for bi-hormonal artificial pancreas systems)

Dasiglucagon is in clinical development for use in investigational bi-hormonal artificial pancreas (BHAP) systems containing both insulin and dasiglucagon.

In 2016, Zealand entered into collaboration with Beta Bionics, Inc., a medical technology company leveraging lifelong, machine-learning, artificial intelligence to develop and commercialize the world's first autonomous bionic pancreas. The partnership aims to combine product rights from each party to advance a new dual-hormonal artificial pancreas system. Such a system has the potential to offer people with diabetes on insulin therapy more efficacious, safer and easier blood sugar control for better long-term disease management and outcomes.

As a part of the collaboration Zealand has made an investment in Beta Bionics. Reference is made to note 3.4 for further information.

Boehringer Ingelheim (Obesity/BI 456906) (CA)

In June 2011, Zealand entered into a license, research and development collaboration agreement with Boehringer Ingelheim International GmbH (BI) to advance novel dual acting glucagon/GLP-1 peptide receptor agonists for the treatment of patients with type 2 diabetes and obesity. As part of the agreement, BI obtained global development and commercialization rights to the lead drug candidate, BI 456906. BI funds all research, development and commercialization activities under the agreement.

As of December 31, 2022 Zealand is eligible to receive license and milestone payments of up to EUR 345.0 million, related to the achievement of pre-specified development, regulatory and commercial milestones for the lead product. Zealand is also eligible to receive tiered royalties ranging from high single-digit to low double-digit percentages on global sales by BI of all products stemming from this collaboration. In addition, Zealand retains co-promotion rights in Scandinavia.

DEKA Research & Development Corp. (CHI/dasiglucacon) (CL)

In November 2021 Zealand announced a collaboration agreement with DEKA to develop a continuous infusion pump, for which Zealand receives a worldwide, exclusive license, to be used in combination with dasiglucagon for treatment of CHI.

DEKA is responsible for pump development and pump manufacturing activities. Zealand is responsible for clinical development around the drug-device combination and commercialization in all territories.

As consideration for a global license to use the infusion pump for treatment of CHI, DEKA is eligible to receive a low to high single digit royalty rate of the global net sales of the combination product.

Encycle Therapeutics (CL)

In October 2019, Zealand announced the acquisition of Encycle Therapeutics to obtain a pre-clinical asset that complements Zealand's focus on developing next-generation peptide therapeutics for gastrointestinal diseases. The asset is being developed as an orally delivered peptide drug to target integrin alpha-4-beta-7, which is involved in the pathogenesis of inflammatory bowel disease (IBD).

As compensation for the acquisition, the former owners of Encycle are eligible for up to USD 80.0 million in development and sales-based milestones as well as a potential mid-single digit royalty on global net sales.

MannKind Corporation (V-Go) (CA)

In May 2022, Zealand announced Asset Purchase Agreement with MannKind Corporation to sell the V-Go Insulin Delivery Device. V-Go is a once-daily, wearable, insulin delivery device that helps provide blood sugar control for everyday lifestyles. Designed to be patient-friendly, V-Go is worn like a patch and eliminates the need for taking multiple daily shots.

Under the agreement Zealand is eligible to receive up to USD 10.0 million in sales-based milestones. The milestones is recognized as other financial assets cf. note 3.7.

Novo Nordisk (ZEGALOGUE/dasiglucagon (CA)

In September 2022, Zealand announced a global license and development agreement with Novo Nordisk to commercialize ZEGALOGUE (dasiglucagon) for injection. ZEGALOGUE is approved by the U.S. Food and Drug Administration (FDA) for the treatment of severe hypoglycemia in pediatric and adult patients with diabetes aged 6 and above. Under the agreement Novo Nodisk is responsible for the global commercialization of ZEGALOGUE while Zealand is responsible for certain planned regulatory, development and manufacturing activities to support further development and approval outside of the U.S. for which Zealand is eligible to receive a mix of development milestones, as well as time and material compensation.

Zealand retained all non-licensed intellectual property rights to the company's other dasiglucagon development programs.

Zealand received an upfront payment of DKK 25.0 million and is eligible for up to DKK 45.0 million in development milestones and DKK 220.0 million in sales-based milestones as well as tiered royalties ranging from high single-digit to low double-digit percentages on worldwide net sales by Novo Nordisk.

Zealand is also eligible for compensation on a time and material basis for certain product supply, research and development services delivered under the contract.

Notes to the Consolidated financial statements.

6.8 Collaborations and technology licenses (continued)

Protagonist Therapeutics (Rusfertide) (CA)
In June, 2012, Zealand and Protagonist entered into a collaboration to develop disulfide-rich peptides. Protagonist has since taken over the full responsibility of the development.

Zealand is eligible to receive up to USD 60.0 millions in regulatory and commercial milestones, as well as a low single digit royalty rate on global net sales.

Sanofi/Royalty Pharma (Soliqua/Suliqua/Lyxumia/Adlyxin) (CA)
In September 2018, Zealand announced that all future royalties and all but up to USD 15.0 million of future milestone payments relating to the Sanofi License Agreement were sold to Royalty Pharma.

As of December 31, 2022 USD 10.0 million was still outstanding.

6.9 Subsequent events

No events have occurred subsequent to the balance sheet date that could significantly affect the financial statements as of December 31, 2022.

Contents – Parent company.

Financial statements of the parent company

Financial statements of the parent company.

Income statement

DKK thousand	Note	2022	2021
Revenue	2	141,741	87,063
Royalty expenses		-37,756	-10,133
Gross margin		**103,985**	**76,930**
Research and development expenses		-613,993	-573,919
Sale and marketing expenses		-32,285	-74,455
General and administrative expenses		-236,977	-235,093
Other operating items	5	-88,188	-2,161
Net operating expenses		**-971,443**	**-885,628**
Operating result		**-867,458**	**-808,698**
Dividend from subsidiaries		38,624	36,745
Financial income	4	36,710	48,898
Financial expenses	4	-9,268	-15,080
Result before tax		**-801,392**	**-738,135**
Income tax (expense)/benefit	6	5,005	6,925
Net result for the year from continuing operations		**-796,387**	**-731,210**
Net result for the year from discontinued operations	7	**-223,575**	**-273,393**
Net result for the year		**-1,019,962**	**-1,004,603**

Statement of comprehensive income

DKK thousand	Note	2022	2021
Net result for the year		**-1,019,962**	**-1,004,603**
Other comprehensive income (loss)		0	0
Comprehensive result for the year		**-1,019,962**	**-1,004,603**

Financial statements of the parent company.

Statement of financial position at December 31

DKK thousand	Note	Group note	2022	2021
Assets				
Non-current assets				
Intangibles (Intellectual property)	8		0	35,691
Property, plant and equipment	9		46,169	80,075
Right of use assets	10		97,571	107,781
Investment in subsidiaries	11		62,228	62,228
Other investments		3.4	30,943	26,906
Trade and other receivables	13		157,039	161,193
Corporate tax receivable	6		0	1,268
Other financial assets		3.7	6,901	0
Total non-current assets			**400,851**	**475,142**
Current assets				
Inventory	12		1,286	78,767
Trade and other receivables	13		134,760	83,670
Corporate tax receivable	6		5,500	5,500
Marketable securities			0	299,042
Cash and cash equivalents			710,104	377,189
Total current assets			**851,650**	**844,168**
Total assets			**1,252,501**	**1,319,310**

DKK thousand	Note	Group note	2022	2021
Liabilities and shareholders' equity				
Share capital		4.8	51,702	43,634
Other reserves			915,849	855,388
Total Shareholders' equity			**967,551**	**899,022**
Deferred revenue		3.8	0	14,551
Trade and other payables	14		19,058	18,426
Lease liabilities	10		91,096	99,769
Total non-current liabilities			**110,154**	**132,746**
Trade and other payables	14		163,274	222,823
Lease liabilities	10		11,522	11,686
Deferred revenue		3.8	0	53,033
Total current liabilities			**174,796**	**287,542**
Total liabilities			**284,950**	**420,288**
Total shareholders' equity and liabilities			**1,252,501**	**1,319,310**

Financial statements of the parent company.

Statement of cash flows

DKK thousand	Note	2022	2021
Net result for the year		-1,019,962	-1,004,603
Adjustments for non-cash items	18	13,049	97,038
Change in working capital	19	-53,712	-257,057
Financial expenses paid		-999	-3,296
Income tax received/(paid)		7,698	5,500
Cash flow from/(used in) operating activities		**-1,053,926**	**-1,162,418**
Proceeds from sale of marketable securities		297,559	0
Proceeds from sale of V-GO	7	64,475	0
Purchase of property, plant and equipment		-8,838	-16,903
Cash flow from/(used in) investing activities		**353,196**	**-16,903**
Proceeds from issuance of shares related to exercise of warrants		23,836	26,070
Proceeds from issuance of shares		1,060,825	748,975
Costs related to issuance of shares		-47,456	-46,894
Purchase of treasury shares		0	-28,590
Leasing installments	10	-11,714	-12,260
Cash flow from/(used in) financing activities		**1,025,491**	**687,301**
(Decrease)/increase in cash and cash equivalents		324,761	-492,020
Cash and cash equivalents at January 1		377,189	860,772
Exchange rate adjustments		8,154	8,437
Cash and cash equivalents at December 31		**710,104**	**377,189**

Statement of changes in equity

DKK thousand	Share capital	Other reserves	Total
Equity at January 1, 2022	**43,634**	**855,388**	**899,022**
Comprehensive income for the year			
Net result for the year	0	-1,019,962	-1,019,962
Share-based compensation	0	51,286	51,286
Capital increases	8,068	1,076,593	1,084,661
Costs related to capital increases	0	-47,456	-47,456
Equity at December 31, 2022	**51,702**	**915,849**	**967,551**
Equity at January 1, 2021	**39,800**	**1,137,289**	**1,177,089**
Comprehensive income for the year			
Net result for the year	0	-1,004,603	-1,004,603
Treasury shares	0	-70,190	-70,190
Share-based compensation	0	68,577	68,577
Capital increases	3,834	771,211	775,045
Costs related to capital increases	0	-46,896	-46,896
Equity at December 31, 2021	**43,634**	**855,388**	**899,022**

Notes to the Financial statements of the parent company.

1 Significant accounting policies, and significant accounting estimates and assessments

Significant accounting policies

Basis of preparation

The separate financial statement of the parent company have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and additional requirements under the Danish Financial Statements Act (Class D).

The accounting policies for the financial statements of the parent company are unchanged from the previous financial year. A number of new or amended standards became applicable for the current reporting period. The parent company did not change its accounting policies as a result of the adoption of these standards. The accounting policies are the same as for the consolidated financial statements with the supplementary accounting policies for the parent described below. For a description of the accounting policies of the group, please refer to the consolidated financial statements.

Note disclosures have only been included in the Parent Financial Statement where amounts differ from the Consolidation financial statement.

Supplementary accounting policies for the Parent Company

Revenue from research and development services rendered to ZP SPV 3 K/S

Revenue from research and development services are performed and satisfied over time given that ZP SPV 3 K/S simultaneously receives and consumes the benefits provided by Zealand Pharma A/S.

Investments in subsidiaries

Please refer to note 11 Investments in subsidiaries.

2 Revenue

Please refer to note 2.1 in the consolidated financial statements for accounting policies for the revenue streams.

Recognized revenue can be specified as follows for all agreements:

DKK thousand	2022	2021
Boehringer Ingelheim International GmbH	0	22,311
Alexion Pharmaceuticals Inc.	69,028	30,185
Novo Nordisk A/S	34,013	0
Protagonist Therapeutics Inc.	0	25,380
ZP SPV 3 K/S	38,700	9,187
Total revenue from collaboration agreements	**141,741**	**87,063**
Product sales - External	21,292	0
Product sales - Intercompany	-10,791	168,713
Total net product sales	**10,501**	**168,713**
- Hereof related to discontinued operations	10,501	**168,713**
Total net product sales from continuing operations	0	**0**
Total revenue from continuing operations	**141,741**	**87,063**
Total revenue recognized over time	**114,881**	**39,372**
Total revenue recognized at a point in time	**37,361**	**216,404**

Please refer to note 2.1 in the consolidated financial statements for additional information regarding revenue.

Notes to the Financial statements of the parent company.

3 Information on staff and remuneration

DKK thousand	2022	2021
Total staff salaries can be specified as follows:		
Wages and salaries	220,310	217,995
Share based payment costs	51,286	39,890
Pension schemes (defined contribution plans)	17,616	18,700
Government grants	-5	-759
Other payroll and staff-related costs	5,682	132
Total	**294,888**	**275,958**
The amount is charged as:		
Research and development expenses	210,971	208,790
Administrative expenses	62,627	63,881
Other operating items	14,015	0
Discontinued operations	7,275	3,287
Total	**294,888**	**276,717**
Average number of employees	**197**	**219**

For remuneration to the Board of Directors please refer to note 4.8 in the consolidated financial statements and for additional information regarding staff costs.

Notes to the Financial statements of the parent company.

3 Information on staff and remuneration (continued)

DKK thousand	Base salary	Bonus	Pension contribution	Other short term benefits	Share-based compensation	Severance payment	Total
2022							
Remuneration to the Executive Management							
Adam Sinding Steensberg[1]	4,162	2,366	832	725	11,061	0	19,146
Henriette Wennicke[2]	420	168	84	41	225	0	938
Emmanuel Dulac[3]	2,626	1,575	525	122	-3,265	6,564	8,147
Matthew Donald Dallas[4]	308	123	0	103	0	0	534
Total	**7,516**	**4,232**	**1,441**	**991**	**8,021**	**6,564**	**28,765**
Total Other Corporate Management[5]	**6,131**	**2,689**	**898**	**599**	**10,569**	**0**	**20,287**
Total	**13,647**	**6,921**	**2,339**	**1,590**	**18,590**	**6,564**	**49,652**
2021							
Remuneration to the Executive Management							
Emmanuel Dulac[3]	5,099	3,059	1,020	243	12,182	0	21,603
Adam Sinding Steensberg[1]	3,056	1,193	611	286	4,829	0	9,975
Matthew Donald Dallas[4]	449	184	0	38	0	0	671
Total	**8,604**	**4,436**	**1,631**	**567**	**17,011**	**0**	**32,249**
Total Other Corporate Management[5]	**3,873**	**1,469**	**387**	**186**	**4,791**	**0**	**10,706**
Total	**12,477**	**5,905**	**2,018**	**753**	**21,802**	**0**	**42,955**

1 Former EVP, R&D and CMO Adam Sinding Steensberg was appointed CEO at March 30, 2022.
2 Henriette Wennicke was appointed as CFO at November 1, 2022.
3 Former CEO Emmanuel Dulac resigned from Zealand at March 30, 2022.
4 Former CFO Matthew Donald Dallas resigned from Zealand at August 31, 2022. He had tax obligations in Denmark, so a part of his salary was paid out in Denmark.
5 Other Corporate Management in 2022 comprised four members (2021: three).

Notes to the Financial statements of the parent company.

4 Financial items

DKK thousand	2022	2021
Interest income	380	6,788
Interest expenses and banking fees	-6,031	-3,639
Interest income from group companies	7,682	0
Loss on receivables to group companies	-2,073	0
Fair value adjustments of other investments	4,036	-8,217
Fair value adjustments of marketables securities	-1,164	1,852
Currency exchange rate adjustments	24,805	40,258
Other financial epenses	0	-3,224
Financial items in total	**27,442**	**33,818**
Presentation in financial statement		
Financial income	36,710	48,898
Financial expense	-9,268	-15,080

Please refer to note 4.7 in the consolidated financial statements for additional information regarding financial items.

5 Other operating items

DKK thousand	2022	2021
Restructuring costs - continuing operations	-14,015	0
Insurance	-37,033	0
Impairment Encycle IP rights	-35,691	0
Loss on sale of fixed assets	-1,449	-2,161
Total other operating items from continuing operations	**-88,188**	**-2,161**
Divestment of V-GO	-3,072	0
Restructuring costs - discontinued operations	-30,615	0
Reversal of inventory write-off	1,284	0
Impairment of production equipment	-9,730	0
Total other operating items from discontinued operations	**-42,133**	**0**

Impairment of Encycle IP rights is described further in note 8. Please refer to note 2.7 in the consolidated financial statements for additional information regarding other operating items.

Notes to the Financial statements of the parent company.

6 Income tax

DKK thousand	2022	2021
Net result for the year before tax	-1,024,967	-1,011,529
Corporate tax rate in Denmark	22.0%	22.0%
Expected tax benefit	-225,493	-222,536
Adjustment for non-deductible expenses	868	5,469
Adjustment for non-taxable income	0	-8,084
Adjustment for warrants	6,274	6,501
Adjustment for R&D extra deduction	-20,960	-14,379
Adjustment to prior years	1,839	-5,143
Change in tax assets (not recognized)	240,963	231,247
Total income tax expense/(benefit)	**-5,005**	**-6,925**
Tax on equity		
Warrants shareprice development	-7,362	5,588
Change in tax assets (not recognized)	7,362	-5,588
Total income tax expense (income)	**0**	**0**
Specification of unrecognized deferred tax assets:		
Tax losses carried forward (available indefinitely)	3,299,214	2,231,010
Research and development expenses	956,816	842,775
Licenses, rights and patents	71,540	41,512
Non-current assets	105,961	88,676
Liabilities	-98,695	73,444
Other	102,156	30,822
Total temporary differences	**4,436,991**	**3,308,239**

Please refer to note 11 in the consolidated financial statements for additional information regarding income tax.

7 Discontinued operations

Management's judgements and estimates

On March 30, 2022, the group announced its intension to exit the US sales activities including the V-Go activity. The activities were successfully divested on May 29, 2022 through an asset purchase agreement with MannKind Corporation. On September 7, 2022, the group announced the transfer of the commercial rights for Zegalogue to Novo Nordisk effectually ending all efforts to commercialize the group's products via own sales force. Management has determined that the activities to supply subsidiaries with products and aquired services from subsidiaries related to commercialization of products via own sales force met all the criteria for classification as a discontinued operation as of September 7, 2022. Accordingly, the activities, including the effect of the divestment of the V-GO disposal group, has been presented separately as a discontinued operation in the income statement.

Notes to the Financial statements of the parent company.

7 Discontinued operations (continued)

The results and the cash flow of the discontinued activities are presented below as a discontinued operations for the period ended December 31, 2022 and December 31, 2021:

DKK thousand	2022	2021
Revenue	10,546	168,713
Cost of goods sold	-41,113	-121,240
Gross margin	**-30,567**	**47,473**
Research and development expenses	-4,035	-10,780
Sales and marketing expenses	-129,827	-292,054
General and administrative expenses	-17,014	-18,032
Other operating items	-42,132	0
Total Operating expenses	**-193,008**	**-320,866**
Result before tax	**-223,575**	**-273,393**
Net result from discontinued operations	**-223,575**	**-273,393**

DKK thousand	2022	2021
Cash flows from discontinued operations		
Net cash inflow (outflow) from operating activities	-17,717	-146,218
Net cash inflow (outflow) from investing activities	64,383	-1,585
Net cash (outflow) from financing activities	0	0
Net cash increase (decrease) generated from the discontinued operation	**46,666**	**-147,803**

All assets and liabilities included in the V-Go disposal group was derecognized as of May 29, 2022 with the closure of the asset purchase agreement with MannKind. As a result, no assets or liabilities are classified as held for sale in relation to the discontinued operation as of December 31, 2022.

The derecognized assets and liabilities, recognized consideration and net impact on profit and loss from the divestment of V-Go are presented below:

DKK thousand	May 29, 2022
Assets included in disposal group	
Property, plant and equipment	19,380
Right-of-use assets	9
Deposits and prepayments	665
Inventories	54,085
Total assets of disposal group	**74,139**
Liabilities directly associated with assets included in disposal group	
Lease liabilities	19
Total liabilities of disposal group	**19**
Net assets of disposal group	**74,120**
Consideration:	
Cash consideration	67,828
Purchase price adjustment	-3,353
Other financial assets	6,573
Total consideration	**71,048**
Net loss - recognized as other operating items from discontinued operations	-3,072

Notes to the Financial statements of the parent company.

8 Intangible assets

DKK thousand	Licenses rights and patents
Cost at January 1, 2022	41,167
Transfer to V-GO disposal group (Note 7)	-5,476
Disposals	-35,691
Cost at December 31, 2022	**0**
Depreciations and impairment at January 1, 2022	5,476
Transfer to V-GO disposal group	-5,476
Impairment	35,691
Disposals	-35,691
Depreciation and impairment at December 31, 2022	**0**
Carrying amount at December 31, 2022	**0**
Depreciation and impairment for the financial year has been charged as:	
Other operating items	35,691
Total	**35,691**

Licenses, rights and patents at January 1, 2022, comprised the license to the lead product candidate acquired with Encycle Therapeutics in October 2019. During 2022 the development program with the lead candidate was abandoned and it was decided to move on with another product candidate from the same patent instead. As a result the recognized asset was impaired and disposed.

DKK thousand	Licenses rights and patents
Cost at January 1, 2021	41,167
Additions	0
Retirements	0
Cost at December 31, 2021	**41,167**
Depreciations and impairment at January 1, 2021	5,476
Depreciation for the year	0
Impairment	0
Depreciation and impairment at December 31, 2021	**5,476**
Carrying amount at December 31, 2021	**35,691**
Depreciation and impairment for the financial year has been charged as:	
Research and development expenses	0
Sale and marketing expenses	0
Administrative expenses	0
Total	**0**

Notes to the Financial statements of the parent company.

9 Property, plant and equipment

DKK thousand	Plant and machinery	Other fixtures and fittings	Building improve-ments	Assets under con-struction
Cost at January 1, 2022	90,778	14,349	34,897	7,343
Transfer	268	0	0	-268
Additions	2,985	72	293	6,088
Transfer to V-GO disposal group (note 7)	-25,770	-268	0	-2,563
Retirements	-1,433	0	0	-9,730
Cost at December 31, 2022	**66,828**	**14,153**	**35,190**	**870**
Accumulated depreciation at January 1, 2022	54,201	8,388	4,703	0
Depreciation for the year	7,901	2,749	2,843	0
Impairment for the year	742	0	0	9,730
Transfer to V-GO disposal group (note 7)	-9,072	0	0	-9,730
Retirements	-1,433	-150	0	0
Accumulated depreciationat December 31, 2022	**52,339**	**10,987**	**7,546**	**0**
Carrying amountat December 31, 2022	**14,489**	**3,166**	**27,644**	**870**
Depreciation for the financial year has been charged as:				
Research and development expenses	6,214	2,315	2,417	0
General and administrative expenses	0	406	426	0
Other operating items	742	0	0	0
Discontinued operations	1,687	28	0	9,730
Total	**8,643**	**2,749**	**2,843**	**9,730**

Please refer to note 3.2 in the consolidated financial statements for additional information regarding property, plant and equipment.

DKK thousand	Plant and machinery	Other fixtures and fittings	Building improve-ments	Assets under con-struction
Cost at January 1, 2021	85,877	12,706	32,448	3,022
Transfer	949	204	0	-1,153
Additions	7,118	1,444	2,449	5,893
Retirements	-3,166	-5	0	-419
Cost at December 31, 2021	**90,778**	**14,349**	**34,897**	**7,343**
Accumulated depreciation at January 1, 2021	43,977	5,711	1,988	0
Depreciation for the year	11,551	2,681	2,715	0
Retirements	-1,327	-4	0	0
Accumulated depreciationat December 31, 2021	**54,201**	**8,388**	**4,703**	**0**
Carrying amountat December 31, 2021	**36,577**	**5,961**	**30,194**	**7,343**
Depreciation for the financial year has been charged as:				
Discontinued operations	7,143	117	0	0
Research and development expenses	3,621	2,564	2,716	0
Administrative expenses	786	0	0	0
Total	**11,550**	**2,681**	**2,716**	**0**

Notes to the Financial statements of the parent company.

10 Right-of-use assets and lease liabilities

Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to lease assets:

DKK thousand	Buildings	Other fixtures and fittings
As at January 1, 2022	106,158	1,623
Additions	0	736
Transfer to V-GO disposal group (note 7)	-9	0
Depreciation	-10,159	-778
As at December 31, 2022	**95,990**	**1,581**
As at January 1, 2021	116,824	1,178
Additions	0	1,511
Depreciation expense	-10,666	-1,066
As at December 31, 2021	**106,158**	**1,623**

Set out below are the carrying amounts of lease liabilities and the movements during the period.

DKK thousand	2022	2021
As at January 1	111,455	119,848
Additions	689	1,418
Accretion of interest	2,207	2,449
Transfer to V-GO disposal group (note 7)	-19	0
Payments	-11,714	-12,260
As at December 31	**102,618**	**111,455**
Current	*11,522*	*11,686*
Non-current	*91,096*	*99,769*
The following are the amounts recognized in profit and loss:		
Depreciation expense of right-of-use assets	-10,937	-11,732
Interest expense on lease liabilities	-2,207	-2,449
Total amount recognized in profit and loss	**-13,144**	**-14,181**
Cashflow	-11,714	-12,260
Total cash outflow for leases	**-11,714**	**-12,260**

Notes to the Financial statements of the parent company.

11 Investments in subsidiaries

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 recoverable amount.

DKK thousand	2022	2021
Cost at January 1	62,228	62,228
Cost at December 31	**62,228**	**62,228**
Carrying amount at December 31	**62,228**	**62,228**

DKK thousand	Voting Domicile	Ownership	Rights
Zealand Pharma A/S subsidiaries:			
ZP Holding SPV K/S	Denmark	100%	100%
ZP General Partner 1 ApS	Denmark	100%	100%
Zealand Pharma US, Inc.	United States	100%	100%
ZP SPV 3 K/S	Denmark	100%	100%
ZP General Partner 3 ApS	Denmark	100%	100%
ZP Holding SPV K/S subsidiaries:			
ZP SPV 1 K/S	Denmark	100%	100%
ZP General Partner 2 ApS	Denmark	100%	100%
Zealand Pharma US Inc. subsidiary			
Zealand Pharma California US, LLC.	United States	100%	100%

12 Inventories

Inventories were comprised as follows:

DKK thousand	2022	2021
Raw materials	1,286	35,816
Work in process	0	29,498
Finished goods	0	13,453
Total	**1,286**	**78,767**

Write downs recognized on inventories were reflected in the cost of goods sold. They were comprised as follows:

DKK thousand	2022	2021
Accumulated write downs, January 1	-12,813	-16,426
Write downs in the reporting period	-30,615	-8,089
Utilization of write downs	9,887	11,702
Reversal of write downs	1,284	0
Accumulated write downs, December 31	**-32,257**	**-12,813**

Please refer to note 3.5 in the consolidated financial statements for additional information regarding inventory.

Notes to the Financial statements of the parent company.

13 Trade and other receivables

DKK thousand	2022	2021
Receivables related to collaboration agreements	56,431	13,546
Intercompany receivables	170,931	144,904
Deposits	8,900	8,920
Other receivables	1,454	1,866
Prepaid expenses	54,083	75,628
Total trade and other receivables	**291,799**	**244,864**
Non-current	157,039	161,193
Current	134,760	83,671

14 Trade and other payables

DKK thousand	2022	2021
Trade payables	51,803	54,859
Employee benefits	50,275	52,736
Accruals development projects	34,063	22,547
Treasury share payables	41,600	41,600
Intercompany payables	1,425	59,078
Other payables	3,166	10,429
Total trade and other payables	**182,332**	**241,249**
Non-current:	19,058	18,426
Current	163,274	222,823

15 Fees to auditors appointed at the annual general meeting

DKK thousand	2022	2021
Audit	4,880	3,728
Audit-related services and other assurance engagements	1,310	780
Other	389	361
Total fees	**6,579**	**4,869**

16 Contingent assets, liabilities and other contractual obligations

Zealand Pharma A/S is part of a Danish joint taxation. Consequently, referring to the Danish Corporation Tax Act regulations, Zealand Pharma A/S is liable for any income taxes, etc. for the jointly taxed companies and Zealand Pharma A/S is likewise liable for any obligations to withhold tax at source on interest, royalties and returns for the jointly taxed companies.

The parent company has provided floating charge collateral covering with all assets in the company which can be collateralized, including shares in subsidiaries, as collateral for the debt to Oberland.

Please refer to note 6.5 in the consolidated financial statements for information on commitments.

Notes to the Financial statements of the parent company.

17 Transactions with related parties

Zealand Pharma A/S' related parties are the board of directors, executive management, and close members of the family of these persons. Refer to note 6.1 in the consolidated financial statements for remuneration of Board of Directors. Refer to note 3 in these parent company financial statements for remuneration of the executive management team.

The parent company had the following transactions with subsidiaries:

DKK thousand	2022	2021
Revenue	38,701	9,186
Research and development expenses	-26,337	50,184
Sale and marketing expenses	-32,285	-74,456
Admin Expenses	-69,955	-74,380
Financial items	5,609	6,744
Discontinued operations	-156,638	-44,904

18 Adjustments for non-cash items

DKK thousand	2022	2021
Depreciation	70,572	30,936
Share-based compensation expenses	51,286	68,577
Deferred revenue	-67,584	-30,185
Corporate tax	-5,005	1,426
Financial items	-27,443	6,833
Exchange rate adjustments	-8,777	19,451
Total adjustments	**13,049**	**97,038**

19 Change in working capital

DKK thousand	2022	2021
Increase/decrease in receivables	-106,679	-184,413
Increase/decrease in inventory	23,396	-33,067
Increase/decrease in payables	29,571	-39,577
Change in working capital	**-53,712**	**-257,057**

20 Significant events after the balance sheet date

Please refer to note 6.9 in the consolidated financial statements.

Alternative performance measures for the Group (non-audited).

Free cash flow

Free cash flow is calculated as the sum of cash flows from operating activities less purchase of property, plant and equipment. A positive free cash flow shows that the Group is able to finance its activities and that external financing or capital raises is thus not necessary for the Group's operating activities. Therefore, Executive Management believes that this non-IFRS liquidity measure provides useful information to investors in addition to the most directly comparable IFRS financial measure "Net cash flow from operating activities." The table below shows a reconciliation of free cash flow for 2022, 2021 and 2020:

DKK thousand	2022	2021	2020
Cash (outflow)/inflow from operating activities	-942,209	-1,211,971	-688,716
Less purchase of property, plant and equipment	-11,710	-22,133	-25,044
Free cash flow	-953,919	-1,234,104	-713,760

Equity ratio

Equity ratio is calculated as equity at the balance sheet date divided by total assets at the balance sheet date.

Market capitalization

Market capitalization is calculated as weighted outstanding shares at the balance sheet date times the share price at the balance sheet date.

Equity per share

Equity per share is calculated as shareholders' equity divided by weighted total number of shares less weighted treasury shares.

Statement of the Board of Directors and Executive Management.

The Board of Directors and Executive Management have today discussed and approved the Annual Report of Zealand Pharma A/S for the financial year January 1 – December 31, 2022.

The consolidated financial statements and parent company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

We consider the accounting policies used to be appropriate. In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position as of December 31, 2022, and of the results of the Group's and the parent company's operations and cash flows for the financial year January 1 – December 31, 2022.

In our opinion, the Management's review includes a fair review of the development of the Group's and the parent company's operations and economic conditions, the results for the year, and the Group's and the parent company's financial position, as well as a review of the principal risks and uncertainties to which the Group and the parent company are exposed.

In our opinion, the Annual Report of Zealand Pharma A/S for the financial year January 1 - December 31, 2022 identified as 549300ITBB1ULBL4CZ12-2022-12-31-en.zip has in all material respects been prepared in compliance with the ESEF Regulation.

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

Søborg, March 2, 2023

Executive Management

Adam Sinding Steensberg
President and
Chief Executive Officer

Henriette Wennicke
Executive Vice President and
Chief Financial Officer

Board of Directors

Alf Gunnar Martin Nicklasson
Chairman

Kirsten Aarup Drejer
Vice Chairman

Jeffrey Berkowitz
Board member

Frederik Barfoed Beck
Board member
Employee elected

Bernadette Connaughton
Board member

Leonard Kruimer
Board member

Alain Munoz
Board member

Anneline Nansen
Board member
Employee elected

Michael John Owen
Board member

Iben Louise Gjelstrup
Board member
Employee elected

Jens Peter Stenvang
Board member
Employee elected

Independent auditor's report.

To the shareholders of Zealand Pharma A/S

Report on the audit of the Consolidated Financial Statements and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Zealand Pharma A/S for the financial year January 1 – December 31, 2022, which comprise income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at December 31, 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year January 1 – December 31, 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group 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.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Zealand Pharma A/S on April 2, 2020 for the financial year 2020. We have been reappointed annually by resolution of the general meeting for a total consecutive period of three years up to and including the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2022. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Accounting for discontinued operations for the sale of the V-Go and Zegaloge Activities

On March 30, 2022, the group announced its intention to exit the US sales activities including the V-Go activity. The activities were

divested on May 29, 2022 through an asset purchase agreement with MannKind Corporation. On September 7, 2022, the group announced the transfer of the commercial rights for Zegalogue to Novo Nordisk A/S through a global license and development agreement effectually ending all efforts to commercialize the group's products via own sales force. Management has determined that the activities around commercialization of V-Go and Zegalogue products via own sales force met all the criteria for classification as a discontinued operations in accordance with IFRS 5. As such, the results from these activities are separately classified as "discontinued" for all periods presented within the income statement of the financial statements as required by IFRS 5.

Given the significant judgments exercised by management in applying IFRS 5 as a result of the divestment of the US sales activities, including the V-Go activity and the transfer of the commercial rights for Zegalogue, the performance of audit procedures to evaluate management's identification of the cash generating units being disposed of, and procedures over presentation of results from discontinued operations for all periods presented in the financial statements required a high degree of auditor judgement and increased extent of audit effort.

How our audit addressed the key audit matter
Our audit procedures related to the identification of the cash generating units being disposed of and procedures over presentation of results from discontinued operations for all periods presented in the financial statements, included the following:

- obtaining an overall understanding of management's identification of the cash generating units being disposed off,
- test of the net results from divestment of the US sales activities related to commercialization of V-Go and Zegalogue products via own sales force including, among others, audit procedures over the existence and valuation of considerations received; inspecting the related agreements to obtain an understanding of the assets and liabilities included in the scope of the two divestments; testing of the completeness and accuracy of assets and liabilities included in the net result calculation on a sample basis by comparing amounts to the Group's accounting records,
- test of management's segregation of results from discontinued operations from results from continued operations for all periods presented.

Accounting for lender call option embedded into the Oberland loan agreement
In 2021, the Group entered into a USD 100 million loan agreement with Oberland. During the financial year 2022, the loan agreement with Oberland has been amended twice. As part of these amendments, the Group has provided Oberland an option to require partial early repayment of the outstanding debt in the event that the Group completes a qualifying sale of assets. Thus, under the agreement Oberland can require that up to 75% of the net proceeds from sale of assets is used to early repay the loan ("the lender call option").

Management has assessed the entire Oberland contract and related amendments for non-closely related embedded derivatives and has concluded that the lender call option is not closely related to the debt host contract because the lender call option amount may differ with more than an insignificant amount from the debts amortized cost. The lender call option is measured at fair value based on unobservable data (level 3).

Given the significant estimation exercised by management in fair value measuring of the lender call option based on unobservable data (level 3), the performance of audit procedures over valuation of the lender call option required a high degree of auditor judgement and increased extent of audit effort.

How our audit addressed the key audit matter
Our audit procedures related to the fair value measurement of lender call option included the following:

- obtaining an overall understanding of management's identification of embedded derivatives in debt arrangement and process for establishing fair value of the lender call option obligation based on unobservable inputs, including interest rate assumptions and assumptions regarding a future potential sale of assets such as: likelihood of ability to enter into a qualifying asset sale; estimated "net proceeds" of a future collaboration agreement; and timing of potential execution of collaboration agreement,
- inspection and reading the note purchase agreement with Oberland and related amendments,
- test of the unobservable data in respect of ability to enter into a qualifying asset sale through inquiries to management and inspection of internal and external supporting evidences related to business development activities and ability to execute a relevant future collaboration agreement,
- test of management's disclosures regarding lender call option and related sensitivity disclosures related to key unobservable data, such as interest assumptions and timing of potential execution of collaboration agreement.

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.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Group's and the Parent 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 Group or the Parent 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.

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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation
As part of our audit of the Consolidated Financial Statements and Parent Company Financial Statements of Zealand Pharma A/S, we performed procedures to express an opinion on whether the annual report of Zealand Pharma A/S for the financial year January 1 – December 31, 2022 with the file name 549300ITBB1UL-BL4CZ12-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;

- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Zealand Pharma A/S for the financial year January 1 – December 31, 2022 with the file name 549300ITBB1ULBL4CZ12-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, March 2, 2023

EY Godkendt Revisionspartnerselskab

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