ZEALAND PHARMA

Changing lives with next-generation peptide therapeutics.

Annual Report 2023

Zealand Pharma A/S
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Company reg. no. 20045078

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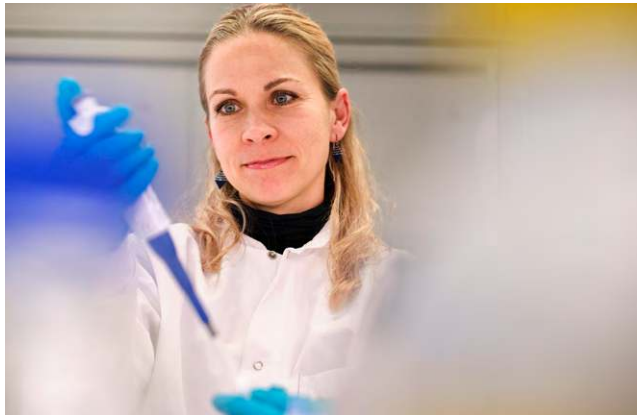

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Our purpose.

Changing lives with next-generation peptide therapeutics

Our ambition

is to be the world's best peptide drug discovery and development company.

Zealand Pharma at a glance.

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

Zealand Pharma A/S was founded in 1998 and is a biotechnology company focused on the discovery, design and development of innovative peptide-based medicines.

25 years

of expertise in peptide R&D with a validated platform that has delivered two drugs to market and a rich pipeline of both clinical and pre-clinical programs.

4

R&D focus areas include

1. becoming a key player in the fast-developing obesity space
2. leading in the rare diseases congenital hyperinsulinism and short bowel syndrome
3. advancing potential treatment options for chronic inflammatory diseases and type 1 diabetes
4. expanding our pipeline through in-house research and external opportunities

Our strategy

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

253

Employees

as of December 31, 2023, with 80% in research and development and related functions.

Martin Nicklasson
Chair of
the Board of Directors

Adam Steensberg
President and
Chief Executive Officer

Letter from the CEO and the Chair

In 2023, we celebrated 25 years as a biotechnology company focused on the discovery, design and development of peptide therapeutics. It was an extraordinary year for Zealand Pharma. We delivered on key strategic objectives, including significant advancement of our obesity portfolio, two regulatory submissions to the US FDA for our rare disease assets, and a strengthened financial position, all of which pave the way for a very exciting 2024.

Positioning our differentiated obesity portfolio

By focusing on R&D, we have been able to prioritize investments and organizational resources in our differentiated obesity assets, which we believe hold substantial value potential and could represent some of the therapeutic keys needed to unlock solutons for the greatest healthcare challenge of our time: the obesity pandemic. In 2023, we reported clinical data that have helped to position and significantly increase our confidence in our

differentiated obesity portfolio. We highlighted these data, along with the scientific rationale behind our programs, at an R&D Event in December that featured key external experts in the field of obesity.

Survodutide - differentiated glucagon/ GLP-1 receptor dual agonist

In 2023, our partner Boehringer Ingelheim reported data from the Phase 2 trial in people living with overweight or obesity with survodutide, the glucagon/GLP-1 receptor dual agonist co-invented with Zealand Pharma. After 46 weeks, survodutide dose-dependently reduced body weight by up to 18.7% on average. Of note, the weight loss had not plateaued by the end of treatment on the trial, indicating potential for additional weight loss in trials of longer duration. Boehringer subsequently initiated a Phase 3 program with survodutide in people living with overweight or obesity, SYNCHRONIZE™, which includes three global registrational trials. If successful, Boehringer and Zealand could be third to market in this new era of weight-loss medications. Finally, positive topline results reported from the Phase 2 trial in metabolic dysfunction-associated steatohepatitis, or MASH, provide evidence of clear differentiation and potentially position survodutide as a leading GLP-1-containing weight-loss medication in the future.

Dapiglutide - first-in-class GLP-1/ GLP-2 receptor dual agonist

Our first-in-class GLP-1/GLP-2 receptor dual agonist, dapiglutide, adds GLP-2 pharmacology to a potent GLP-1 receptor agonist, designed to improve gut integrity and address low-grade inflammation that is associated with obesity and can result in several comorbidities, including cardiovascular disease, liver disease, and neuro-inflammation. Dapiglutide is being evaluated in two clinical trials initiated in 2023, the Phase 2a investigator-led DREAM trial and a company-sponsored Phase 1b dose-titration trial. The data from these trials are expected in 2024 and will provide insights into the effects of dapiglutide on body weight as well as biomarkers of inflammation.

Petrelintide - long-acting amylin analog

We believe that long-acting amylin analogs may represent an alternative to GLP-1 receptor agonists for the treatment of overweight and obesity. Used as monotherapy, long-acting amylin analogs have the potential to achieve GLP-1 receptor agonist-like weight loss, but with improved tolerability and the potential to offer a better patient experience. Pre-clinical data also suggest a high-quality weight loss with the preferential loss of fat and a preservation of lean muscle mass. We believe our long-acting amylin analog, petrelintide, shows potential to be best-in-class. In March, we reported data from the first-in-human clinical trial with petrelintide, demonstrating an average weight loss of 4.2% (4.8% placebo-corrected) at day 7 after a single subcutaneous 2.4 mg dose. Subsequently in July, clinical data from Part 1 of a multiple ascending dose (MAD) trial, six, once-weekly, low doses of 0.6 mg and 1.2 mg of petrelintide led to average weight loss above 5%. Petrelintide was well-tolerated with no serious or severe treatment-emergent adverse events and no withdrawals. Importantly, all gastrointestinal events reported in the trial were mild. We are now

Important data read-out

"We believe our long-acting amylin analog, petrelintide, shows potential to be best-in-class. We are now investigating significantly higher doses of petrelintide over 16 weeks in Part 2 of the MAD trial and anticipate these important results in the first half of 2024."

Watch the recording of our Obesity R&D Event on December 5, 2023
https://event.webcasts.com/viewer/landing.jsp?ei=1647538&tp_key=93047ac522

Strong financial position

"Despite the challenging financing environment for many biotechnology companies, we have significantly strengthened our financial position to invest in our R&D pipeline."

investigating significantly higher doses of petrelintide over 16 weeks, in Part 2 of the MAD trial, and anticipate these important results in the first half of 2024.

Approaching patients with our rare disease assets

During 2023, we submitted New Drug Applications to the US FDA for dasiglucagon, our glucagon analog, for the treatment of congenital hyperinsulinism (CHI) and glepaglutide, our long-acting GLP-2 analog, for the treatment of short bowel syndrome (SBS).

In the first half of 2024, we expect to resubmit the application for dasiglucagon in CHI for up to three weeks of dosing, contingent on a successful reinspection of the third-party manufacturing site where the FDA has identified deficiencies to be addressed. Importantly, the deficiencies were not specific to dasiglucagon, and no concerns regarding the clinical trial conduct and clinical data package for dasiglucagon were cited. The third-party manufacturer believes it has resolved these deficiencies and is ready for a reinspection. Also in the first half of 2024, we look forward to continued dialogue with the FDA as we work to complete the second part of the New Drug Application covering use of dasiglucagon beyond three weeks of dosing.

Separately, we expect the US FDA to notify us of the PDUFA date for glepaglutide in SBS in the coming weeks.

In parallel with these regulatory activities, and in line with our strategy to focus on R&D, we will pursue agreements with commercial partners for both our rare disease assets so that these treatments may reach as many patients as possible.

Strong financial position to support an exciting and eventful 2024

Despite the challenging financing environment for many biotechnology companies, we have significantly strengthened our financial position to invest in our R&D pipeline. In April, we raised DKK 1.5 billion (USD ~220 million) from a directed issue and private placement of 6,578,948 new ordinary shares. We also simplified our balance sheet, repaying a loan to Oberland Capital in full and securing a new credit facility provided by Danske Bank, which is undrawn. In December, we were proud to announce the backing from the European Investment Bank, supporting the continued journey of Zealand Pharma with a EUR 90 million finance agreement. During 2023, we received milestone payments from existing partners, including Boehringer Ingelheim, Sanofi and Novo Nordisk. Finally, in January 2024, we announced a directed issue and private placement to two reputable institutional investors, raising an additional DKK 1.45 billion (USD 214 million) to further strengthen the investment in our differentiated obesity assets. As we embark on a very exciting 2024, we believe we are very well-positioned to invest significantly in our differentiated obesity assets and advance our rare disease assets towards patients.

Dr. Alain Munoz and Dr. Mike Owen will step down from the Board of Directors at the next AGM. As exemplary members of the Board, they have made substantial contributions and helped to steer Zealand's robust pipeline to its present success. We thank them for their dedicated service and wise counsel over the years.

Finally, we thank our dedicated colleagues who have contributed to the company's success in the past year, the patients and their caregivers who have taken part in our clinical trials, as well as our partners and our shareholders for their continued support of Zealand Pharma.

Martin Nicklasson
Chair of
the Board of Directors

Adam Steensberg
President and
Chief Executive Officer

2023 Achievements.

In 2023, we delivered on our strategic objectives and achieved significant pipeline progress.

2023 Achievement	
Advanced obesity portfolio	**Survodutide** (glucagon/GLP-1 receptor dual agonist) • Boehringer Ingelheim and Zealand Pharma reported positive Phase 2 results with survodutide in people living with overweight or obesity • Boehringer Ingelheim initiated the Phase 3 program SYNCHRONIZE™ with survodutide in people living with overweight or obesity **Petrelintide** (long-acting amylin analog) • Reported positive results with petrelintide from both the single ascending dose trial and Part 1 of the multiple ascending dose trial (6-week trial) • Initiated Part 2 of the multiple ascending dose trial with petrelintide, investigating significantly higher doses in people living with overweight or obesity over a longer duration (16 weeks) using a dose-escalation scheme **Dapiglutide** (GLP-1/GLP-2 receptor dual agonist) • Investigator-led Phase 2a trial DREAM, investigating the effects of dapiglutide on body weight, gut permeability, and inflammation, was initiated • Initiated the 13-week Phase 1b dose-titration trial with dapiglutide, investigating higher doses than the previous multiple ascending dose trial and the DREAM trial
Progressed rare disease assets towards regulatory submission	**Dasiglucagon in congenital hyperinsulinism** • Submitted New Drug Application to the US FDA for dasiglucagon in congenital hyperinsulinism **Glepaglutide in short bowel syndrome** • Submitted New Drug Application to the US FDA for glepaglutide in short bowel syndrome
Ensured Phase 1 readiness for inflammation assets	• Completed pre-clinical activities with ZP10068 (complement C3 inhibitor in collaboration with Alexion Pharmaceuticals) to ensure Phase 1 readiness • Completed pre-clinical activities with ZP9830 (Kv1.3 Ion Channel Blocker) to ensure Phase 1 readiness
Strengthened financial position	• Met financial guidance on Net Operating Expenses between DKK 800-900 million • Extended cash runway into 2027, driven by a capital raise of DKK 1.5 billion, a loan facility with the European Investment Bank of DKK 670 million, and a Revolving Credit facility of DKK 350 million provided by Dansle Bank, as well as a capital raise of DKK 1.45 billion in early January 2024
Other significant activities	• Submitted the marketing authorization application to the European Medicines Agency for dasiglucagon injection for the treatment of severe hypoglycemia in people with diabetes • Advanced double materiality assessment to identify ESG focus areas, forming the basis of refined ESG strategy

Financial highlights and key figures.

DKK thousand	2023	2022	2021	2020	2019
Income statement					
Revenue	342,788	103,986	108,546	192,001	41,333
Royalty expenses	-9,138	-	-10,970	-	-415
Gross profit	**323,614**	**103,986**	**97,576**	**192,001**	**40,918**
Research and development expenses	-684,902	-614,044	-581,511	-595,847	-561,423
Sales and marketing expenses	-30,627	-32,298	-62,600	-20,795	-
General and administrative expenses	-185,302	-237,210	-235,609	-201,594	-67,881
Other operating items	4,979	-57,587	-2,173	-	444
Net operating expenses	**-895,852**	**-941,139**	**-881,893**	**-818,838**	**-628,860**
Operating result	**-572,238**	**-837,153**	**-784,317**	**-626,235**	**-587,942**
Net financial items	-136,627	-134,888	25,430	-47,292	11,265
Result before tax	**-708,865**	**-972,041**	**-754,887**	**-673,527**	**-576,677**
Corporate tax	5,126	6,431	3,949	4,814	5,136
Net result for the year from continuing operations	**-703,739**	**-965,610**	**-754,938**	**-668,713**	**-571,541**
Net result for the year from discontinued operations	-	-236,525	-263,211	-178,016	-
Net result for the year	**-703,739**	**-1,202,135**	**-1,018,149**	**-846,729**	**-571,541**
Loss per share from continuing operations, basic/diluted (DKK)	-12.44	-20.90	-17.61	-17.43	-16.91
Loss per share, basic/diluted (DKK)	-12.44	-26.02	-23.75	-22.07	-16.91

DKK thousand	2023	2022	2021	2020	2019
Statement of financial position					
Cash and cash equivalents	449,311	1,069,234	1,129,103	960,221	1,081,060
Marketable securities	1,183,746	108,611	299,042	297,345	299,448
Cash, cash equivalents and marketable securities	1,633,057	1,177,845	1,428,145	1,257,566	1,380,508
Total assets	**1,979,993**	**1,539,806**	**2,067,629**	**1,761,949**	**1,599,514**
Total shareholders' equity	**1,592,839**	**815,911**	**927,803**	**1,229,311**	**1,242,673**
Cash flow					
Cash used in operating activities	-425,668	-942,311	-1,211,971	-688,716	-409,455
Cash (used in)/provided by investing activities	-1,094,033	281,259	-18,121	-196,807	-51,666
Cash provided by financing activities	907,014	587,500	1,332,751	760,941	674,480
Purchase of intangible assets	-12,508	-	-	-	-
Purchase of property, plant and equipment	-11,241	-11,710	-22,133	-25,044	-21,036
Free cash flow	-436,909	-954,021	-1,234,104	-713,760	-430,491
Other					
Undrawn borrowing facilities (note 4.2)	722,645	-	-	-	-
Share price (DKK)	373.2	201.4	145.1	220.6	235.4
Number of shares ('000 shares)	58,751	51,702	43,634	39,800	36,055
Market capitalization (MDKK)	21,787	9,305	6,220	8,464	8,487
Equity ratio (%)	80%	53%	45%	70%	78%
Equity per share (DKK)	27.28	17.66	21.26	32.04	34.52
Average number of full time employees	235	247	346	297	173
Number of full-time employees at the end of the year	253	196	355	329	179

2024 Outlook and objectives.

In 2024 we are focused on maximizing the value potential of our pipeline.

2024 Objectives

Advance obesity portfolio	**Survodutide** • Boehringer Ingelheim to report data from Phase 2 trial in NASH • Boehringer Ingelheim to enroll patients in Phase 3 obesity trials SYNCHRONIZE™-1 and SYNCHRONIZE™-2 **Dapiglutide** • Report data from Phase 2a investigator-led trial DREAM • Report data from Phase 1b 13-week dose-titration trial **Petrelintide** • Report data from Part 2 of Phase 1b MAD trial (16-week trial) • Initiate Phase 2b trial
Progress rare disease assets towards patients	**Dasiglucagon for congenital hyperinsulinism** • Resubmit Part 1 of NDA covering up to three weeks of dosing • Submit analyses from continuous glucose monitoring datasets supporting approval beyond three weeks of dosing • Engage in commercial partnership discussions **Glepaglutide for short bowel syndrome** • Engage in commercial partnership discussions
Initiate first-in-human trials with inflammation assets	• Initiate first-in-human trial with ZP9830 (Kv1.3 Ion Channel Blocker) • Alexion to initiate first-in-human trial with ZP10068 (Complement C3 Inhibitor)
Maintain a strong financial position	• Meet financial guidance and ensure disciplined financial management • Maintain sufficient cash runway
Deliver on environmental, social and governance responsibility	• Launch refined ESG strategy based on double materiality assessment • Establish ESG reporting framework to prepare for CSRD, including CO_2 baselining

Financial guidance

DKK million	2024 Guidance	2023 Actual
Revenue anticipated from existing and new license and partnership agreements	No guidance due to uncertain size and timing	343
Net operating expenses[1]	1,100 - 1,200	896

[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 February 27, 2024

Our business.

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25 years of peptide expertise.

We have 25 years of expertise in 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 journey towards becoming experts in peptide R&D

1998

Foundation

Zealand Pharma is founded by SIP® inventor Dr. Bjarne Due Larsen and Lars Hellerung Christiansen

1999

Invention of Lixisenatide

GLP-1 agonist lixisenatide is invented

2010

Initial Public Offering

Zealand Pharma shares are listed on Nasdaq OMX Copenhagen

2011

Partnership with Boehringer Ingelheim

Zealand Pharma enters partnership agreement with Boehringer Ingelheim to develop drug candidates for T2DM and obesity

2016

First drug product approval by US FDA

Adlyxin (lixisenatide) and Soliqua (insulin glargine and lixisenatide), partnered with Sanofi, are approved by the US FDA for the treatment of T2DM in the United States (approved in Europe by EMA in 2013)

2019

Partnership with Alexion Pharmaceuticals

Zealand Pharma enters partnership agreement with Alexion Pharmaceuticals to discover and develop therapies for complement-mediated diseases

2020

Approval by US FDA of Zegalogue®

for the treatment of severe hypoglycemia in people with diabetes

2022

New strategy and CEO

- Zealand Pharma launches new strategy, focusing on R&D and scaling back commercial activities, and Dr. Adam Steensberg (former Chief Medical Officer) is appointed as new CEO
- Sale of V-Go to MannKind Corporation and partnership agreement with Novo Nordisk for Zegalogue®

2023

Celebration of 25-year anniversary

Zealand Pharma celebrates 25-year anniversary in eventful year that includes regulatory submissions to the US FDA for dasiglucagon in congenital hyperinsulinism and glepaglutide in short bowel syndrome, as well as strong clinical advancement of obesity portfolio

Validated peptide platform

Since our foundation 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 discovery and development platform has been validated by bringing two drug products to market in collaboration with partners Sanofi and Novo Nordisk, as well as advancing our novel peptide analogs currently in clinical development.

What are 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 bloodstream. 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 inventions 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 collaborations. 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.

	Product Candidate*	Preclinical	Phase 1	Phase 2	Phase 3	Registration
Obesity	Dapiglutide (GLP-1R/GLP-2R Dual Agonist)	Obesity				
	Petrelintide (amylin analog)	Obesity				
	ZP6590 (GIP receptor agonist)	Obesity				
	Survodutide (GCGR/GLP-1R dual agonist)[1] Boehringer Ingelheim	Obesity and MASH				
Rare diseases	Dasiglucagon: Continuous Subcutaneous Infusion	Congenital Hyperinsulinism				
	Glepaglutide (GLP-2 Analog)	Short Bowel Syndrome				
Inflammation	ZP 9830 (Kv1.3 Ion Channel Blocker)	Undisclosed				
	ZP 10068 (Complement C3 Inhibitor)[2] ALEXION AstraZeneca Rare Disease	Undisclosed				
Type 1 diabetes	Dasiglucagon: Bi-Hormonal Artificial Pancreas Systems	Type 1 Diabetes management				
	Dasiglucagon: Mini-Dose Pen	Type 1 Diabetes exercise-induced hypoglycemia				

* Investigational compounds whose safety and efficacy have not been evaluated or approved by the FDA or any other regulatory authority.

[1] Co-invented with Zealand Pharma, Boehringer Ingelheim is funding all activities and is exclusively responsible for clinical development. Up to EUR €315 million outstanding potential development, regulatory and commercial milestones to Zealand Pharma, plus high single to low double digit percentage royalties on global sales;

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

Obesity

Obesity.

Overweight and obesity are associated with more than 220 complications and co-morbidities, including cardiovascular disease, liver disease, type 2 diabetes, kidney disease, and neuroinflammation.

Watch our CEO discuss the obesity pandemic at
https://vimeo.com/916606203

An obesity pandemic - the greatest healthcare challenge of our time

The worldwide prevalence of obesity has nearly tripled since the mid-1970s, with 650 million adults and 389 million adolescents and children suffering from obesity today. In the U.S. alone, more than 40% of the population are considered obese. More than 3 million people die each year due to complications from overweight or obesity.[1] This is equivalent to the estimated number of global deaths attributable to COVID-19 during 2020, just every year.[2]

The obesity pandemic we are witnessing today is the result of an increasing number of people having been obese since their 30s and 40s. In the next few decades, we could start seeing the consequences of adults having been obese since they were children or teenagers. Shockingly, in the U.S. today, the prevalence of overweight and obesity among 2-4 year old children is 30%.[3]

A complex, multifactorial disease requiring more treatment options

Obesity is a complex disease that may be treated by targeting a number of unique metabolic pathways. For many years, the weight-loss medications available have had limited efficacy and/or, for many, been associated with considerable side effects. Since 2021, two weight-loss medications with better efficacy and safety profiles have been approved. Nevertheless, the treatment rate today is approximately 2%.[4] Thus, there remains a substantial unmet medical need for more and better treatment options for the very heterogeneous population suffering from overweight and obesity, for example treatments based on emerging modalities with potential to deliver similar efficacy as the recently approved treatments but with better tolerability, fat-specific weight loss, or treatments targeting obesity-related comorbidities.

[1] World Health Organization (WHO). Fact sheet. Obesity. 9 June 2021. https://www.who.int/news-room/facts-in-pictures/detail/6-facts-on-obesity
[2] World Health Organization (WHO). Data stories. The true death toll of COVID-19. https://www.who.int/data/stories/the-true-death-toll-of-covid-19-estimating-global-excess-mortality
[3] Trust for America's Health (TFAH). The State of Obesity 2023. 20-Year Report Anniversary Retrospective. September 2023.
[4] IQVIA. Insights Brief. Obesity Treatment Rates Increase as GLP-1 Inhibitors Prosper. 17 March 2023. https://www.iqvia.com/library/white-papers/obesity-treatment-rates-increase-as-glp-1-inhibitors-prosper

Obesity

Targeting obesity with differentiated product candidates.

Survodutide

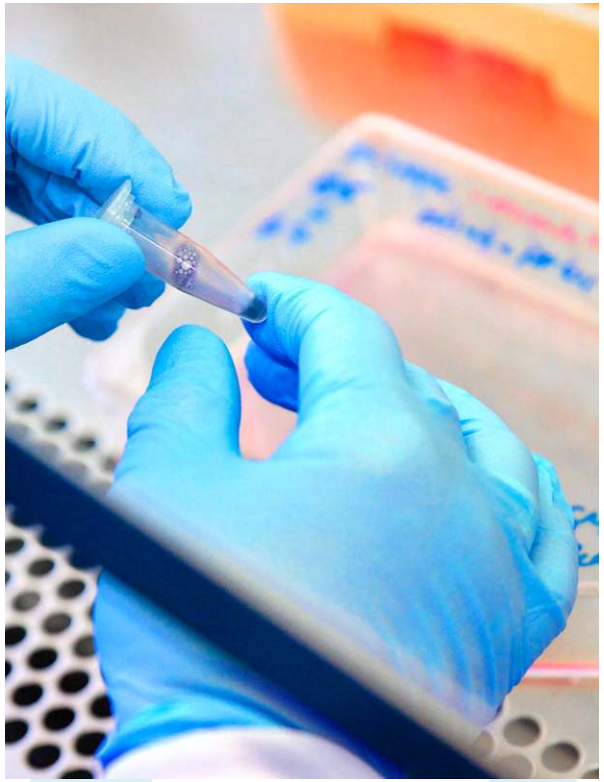
Targeting obesity and NASH with a glucagon/ GLP-1 receptor dual agonist

Survodutide (BI456906) is a long-acting glucagon/GLP-1 receptor dual agonist for once-weekly subcutaneous administration. Activating the glucagon and GLP-1 receptors simultaneously may reduce body weight by both increasing energy expenditure and reducing food intake. The molecule is designed with a strong relative potency of 8:1 in favor of GLP-1 receptors compared to glucagon receptors. This design leverages the weight loss and glycemic control of GLP-1 receptors with some activity on the glucagon receptors, which are present in the liver.

Development status

A Phase 2 trial with survodutide in people with type 2 diabetes demonstrated average dose-dependent decreases in blood sugar, HbA1c, of up to -1.88% after 16 weeks compared to -1.47% with open-label weekly semaglutide 1.0 mg. In addition, a Phase 2 trial with survodutide in people living with overweight or obesity demonstrated average body weight reductions of up to -18.7% after 46 weeks. Based on the positive results seen in these Phase 2 trials, Boehringer Ingelheim has in 2023 initiated a Phase 3 program, SYNCHRONIZE™, in people living with overweight or obesity. Finally, positive topline phase 2 results were recently reported with survodutide in metabolic dysfunction-associated steatohepatitis (MASH), formerly nonalcoholic steatohepatitis (NASH), one of the most prevalent and serious obesity-related comorbidities, providing evidence for differentiation from current GLP-1 based therapies. In people living with overweight and obesity, it is estimated that 75% have metabolic dysfunction-associated fatty liver disease (MAFLD), formerly non-alcoholic fatty liver disease (NAFLD) and 34% have MASH.[1]

Survodutide was co-invented by Boehringer Ingelheim and Zealand Pharma. Boehringer Ingelheim is funding all activities and is exclusively responsible for clinical development related to survodutide. Zealand has EUR 315 million in outstanding potential milestone payments and is eligible for high-single to low-double digit percentage royalties on global sales.



[1] Quek et al. Lancet Gastroenterol Hepatol 2023;8(1):20–30; 2.

Obesity

Dapiglutide

Targeting obesity and low-grade inflammation with a GLP-1/GLP-2 receptor dual agonist

Dapiglutide is a long-acting GLP-1/GLP-2 receptor dual agonist for once-weekly subcutaneous administration. This is a first-in-class peptide designed to leverage the weight loss effects of a potent GLP-1 agonist and address comorbidities associated with low-grade inflammation through improved intestinal barrier function by GLP-2. People living with obesity have increased translocation of bacteria from the gut lumen into the bloodstream due to a reduced integrity of the intestinal barrier, or "leaky gut", driving a state of low-grade inflammation.[1] This obesity-related low-grade inflammation can result in comorbidities, such as cardiovascular disease, liver disease, and neuro-inflammation.

Development status

A Phase 1 multiple ascending dose (MAD) trial with dapiglutide in healthy volunteers demonstrated average dose-dependent weight loss of up to -4.3% after four weeks, supporting further clinical development in obesity. Two clinical trials with dapiglutide are currently ongoing: DREAM, the investigator-led 12-week trial evaluating the effects of dapiglutide on body weight, gut permeability, and inflammation; and the Phase 1b 13-week dose-titration trial investigating higher doses of dapiglutide than the previous trials. Results from DREAM are expected in the first half of 2024, whereas results from the Phase 1b dose-titration trial are expected in the second half of 2024.

Petrelintide

A next-generation weight-loss medication, representing an alternative to GLP-1 receptor agonists

Petrelintide (ZP8396) is a long-acting amylin analog suitable for once-weekly subcutaneous administration that has been designed with chemical and physical stability at neutral pH, minimizing fibrillation and allowing for co-formulation with other peptides. Amylin is produced in the pancreatic beta cells and co-secreted with insulin in response to ingested nutrients. Amylin analogs have been shown to increase satiety by a direct effect on the amylin receptor and by restoring sensitivity to the hormone leptin.[2,3] This is in contrast to GLP-1 receptor agonists that primarily lower body weight by reducing appetite. Current clinical or preclinical data suggest a potential of long-acting amylin analogs to deliver weight loss comparable to GLP-1 receptor agonists but with improved tolerability for a better patient experience and high-quality weight loss by preserving lean muscle.

Development status

In 2023, we reported results from both a single ascending dose (SAD) trial and Part 1 of a MAD trial with petrelintide. In the SAD trial, one single dose of petrelintide 2.4 mg led to average weight loss of -4.2% after one week (placebo-corrected -4.8%), whereas six once-weekly doses of petrelintide in low doses of 0.6 mg and 1.2 mg in Part 1 of the MAD trial showed average weight loss of -5.3% and -5.1%, respectively. Petrelintide was well-tolerated with no serious or severe treatment-emergent adverse events and no withdrawals. All gastrointestinal adverse events reported were mild. Part 2 of the MAD trial is currently ongoing, exploring significantly higher doses of petrelintide over a longer duration of 16 weeks, with results expected in the first half of 2024.

[1] Vetrani et al. Nutrients 2022;14(10):2103.
[2] Mathiesen et al. Eur J Endocrinol 2022;186(6):R93–R111
[3] Roth et al. Proc Natl Acad Sci U S A 2008;105(20):7257–7262

Rare diseases

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[1].

Crosby lives with congenital hyperinsulinism

A significant burden for the affected children and their families

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.

Julie Raskin
CEO of Congenital Hyperinsulinism International

External expert perspective

"CHI leads to serious challenges for affected families. Brain injuries resulting in permanent disabilities occur all too frequently. There are also significant psychosocial effects as well as extra financial burdens on the family. The limited availability of safe and effective treatment options represents an urgent unmet medical need."

[1] Amoux JB et al. (2011). Orphanet J Rare Dis, 6:63; Yau et al. (2020). Plos One, 15(2): e0228417.

Rare diseases

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 three 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. In this trial, dasiglucagon reduced time in hypoglycemia by approximately 50% and hypoglycemic events by 37-40% when measured by continuous glucose monitoring. The most frequently reported adverse events in both trials were skin reactions and gastrointestinal disturbances. 42 out of the 44 patients who participated in these two Phase 3 trials enrolled into a long-term extension trial that is ongoing.

We expect to resubmit the New Drug Application for dasiglucagon in CHI for up to three weeks of dosing in the first half of 2024, contingent on a successful reinspection of the third-party manufacturing site where the FDA has identified deficiencies to be addressed. Importantly, these deficiencies were not specific to dasiglucagon, and there were no concerns regarding the clinical trial conduct and clinical data package submitted for dasiglucagon. In the first half of 2024, we also expect to submit the second part of the New Drug Application covering use of dasiglucagon in CHI beyond three weeks of dosing.

Dasiglucagon
Zealand is pursuing a partnership agreement for the commercialization of dasiglucagon for CHI

Investigational compound and device that have not yet been approved for marketing by any regulatory authority

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

Rare diseases

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. alone, there are an estimated 7,500 people living with SBS with intestinal failure who are dependent on parenteral support.[1]

Marianne lives with short bowel syndrome

Life-long dependency on parenteral support

Short bowel syndrome (SBS) is a complex disease that occurs due to the physical loss of half or more of the small intestine, most often due to surgical removal. 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 (SBS-IF), 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 healthcare systems and reduction in quality of life for patients and their families.

Unmet medical need for more efficacious and convenient 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 efficacious and convenient treatments to further reduce PS are needed, with the ultimate goal of achieving enteral autonomy.

[1] SBS-IF patient estimates based on Zealand Pharma claims analysis, 2020 and Mundi et al. (2020), Characteristics of Chronic IF in the US Based on Analysis of Claims Data, JPEN in Press.

Rare diseases

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.

Glepaglutide
Zealand is pursuing a partnership agreement for the commercialization of glepaglutide

Investigational compound and device that have not yet been approved for marketing by any regulatory authority

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.

Zealand has submitted the New Drug Application (NDA) to the US FDA in December 2023. The regulatory submission is based on results from EASE-1 and two long-term (104 weeks) safety and efficacy extension trials, EASE-2 and EASE-3, where interim analyses conducted after 6 months showed that clinical response to glepaglutide across key endpoints was generally maintained or improved, as well as EASE-4, a mechanistic trial assessing the effects of glepaglutide on intestinal fluid and energy uptake.

Palle Bekker Jeppesen
Clinical Professor, Department of Clinical Medicine (Gastroenterology and Hepatology) at the University of Copenhagen

External expert perspective

"Short Bowel Syndrome with Intestinal Failure (SBS-IF) is a rare, often neglected, debilitating disease, severely impacting patient quality of life. Severe nutrient malabsorption may lead to severe malnutrition and dehydration if not treated with parenteral support (PS) through a central venous catheter. Both symptoms of SBS-IF and potential PS complications impose significant life restrictions and daily challenges. Thus, there is an unmet need for new, convenient long-acting GLP-2 analog treatment options. If approved by the health authorities, the long-acting GLP-2 analog glepaglutide, provided in a ready-to-use autoinjector, offers a beneficial efficacy and safety profile with a twice-weekly dosing regimen."

Inflammation

Inflammation.

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.

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 lead candidate molecule that acts on C3 (ZP10068),

Henrik works in Medicinal Chemistry

Inflammation

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 Pharmeceuticals (AstraZeneca Rare Disease). We have, in 2023, completed the pre-clinical activities with the lead candidate molecule to ensure readiness for the first-in-human clinical trials. Alexion will lead development efforts beginning with Investigational New Drug (IND) filing and Phase 1 trials, which we exoect Alexion to initiate in 2024.

For the lead candidate molecule, 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.

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.

We have, in 2023, completed the pre-clinical activities with ZP9830 and expect to initiate the first-in-human clinical trial in 2024.

Type 1 diabetes

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 glucose control, or are at significant risk of hypoglycemia.

Type 1 diabetes is not a single-hormone disease. Both insulin and glucagon secretion are 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 have a collaboration 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.

Ditte works in Translational Pharmacology

Financial review.

- Revenue in 2023 of DKK 343 million was mainly driven by a EUR 30 million milestone payment from Boehringer Ingelheim associated with survodutide and USD 10 million from a milestone payment from Sanofi associated with lixisenatide.

- Net operating expenses in 2023 of DKK -896 million were mainly driven by investments in the clinical advancement of the obesity pipeline and progression of the late-stage rare disease assets towards regulatory submission.

- Runway is extended into 2027 following the directed issue and private placements in April 2023 and in January 2024, bringing in gross proceeds of combined DKK 3 billion, and the new EUR 90 million (DKK 671 million) finance agreement with the European Investment Bank (EIB) announced in December 2023.

Revenue

Revenue in 2023 of DKK 343 million was mainly driven by EUR 30 million in milestone payment from Boehringer Ingelheim related to the Phase 3 initiation with survodutide in obesity in November 2023 and USD 10 million in milestone payment from Sanofi associated with lixisenatide. Out of the USD 10 million from Sanofi, Zealand has paid USD 1.3 million in royalty expenses to Alkermes, which was entitled to 13% of payments received by Zealand in respect of lixisenatide under the Sanofi License Agreement. As of December 31, 2023, there are no other outstanding milestone payments associated with the license agreement with Sanofi. All royalties related to lixisenatide were sold to Royalty Pharma in 2018.

The remaining revenue of 2023 is mainly related to the license and development agreement for Zegalogue® with Novo Nordisk as well as proceeds from the agreement with Alexion.

Net operating expenses

Research and development expenses in 2023 of DKK -685 million were mainly driven by the clinical advancement of the obesity pipeline and progression of the late-stage rare disease assets towards regulatory submission. The spend for research and development expenses in 2023 has increased compared to 2022 due to the progression of clinical and regulatory activities with the main cost drivers being preparing the submission of the two NDAs for our

DKK millions	2023	2022
Revenue	343	104
Gross profit	**324**	**104**
Research and development expenses	-685	-614
Sales and marketing expenses	-31	-32
General and administrative expenses	-185	-237
Other operating items	5	-58
Net operating expenses	**-896**	**-941**
Operating result	**-572**	**-837**
Net financial items	-137	-135
Result before tax	**-709**	**-972**
Cash and cash equivalents	449	1,069
Marketable securities	1,184	109
Cash, cash equivalents and marketable securities	**1,633**	**1,178**
Equity	**1,593**	**816**
Other		
Share price (DKK)	373	201
Number of shares ('000 shares)	58,751	51,702
Market capitalization (mDKK)	21,787	9,305
Number of full-time employees at year-end	253	196

rare disease assets to the US FDA and the significant clinical advancement of the obesity pipeline.

Selling and marketing expenses were at DKK -31 million (2022: DKK -32 million) and general and administrative expenses at DKK -185 million in 2023 (2022: DKK -237 million). The latter is significantly below 2022 due to cost reduction efforts following the announced restructuring on March 30, 2022.

Other operating items of DKK 5 million in 2023 comprise other operating income of DKK 16 million related to a reversal of inventory write-down associated with Zegalogue® and other operating expenses of DKK -11 million related to an impairment of the US Boston office lease.

Financial items

Financial items in 2023 of DKK -137 million (2022: -135 million) are mainly driven by the final repayment and termination of the loan with Oberland Capital in May 2023, partly offset by interest income on marketable securities. The significant increase in interest income compared to 2022 as described in note 4.7 Financial items, comes mainly from placement of surplus funds from the capital increase in April 2023 into marketable securities.

In 2023, the investment in Beta Bionics was subject to a fair value adjustment of DKK -16 million.

Equity

On December 31, 2023, equity was DKK 1,593 million, reflecting a significant increase compared to December 31, 2022, mainly driven by the proceeds from the directed issue and private placement of new shares in April 2023 and partly offset by the loss for the period.

In 2023, Zealand has purchased 300,000 new treasury shares. The treasury shares are allocated to performance share units (PSUs) and restricted share units (RSUs) as described further in note 4.8 Share capital.

Cash position

Cash, cash equivalents and marketable securities as of December 31, 2023, was DKK 1.6 billion and DKK 2.4 billion including the undrawn DKK 350 million Revolving Credit Facility provided by Danske Bank and the EIB loan (Tranche A), reflecting a significant increase compared to the DKK 1.2 billion in cash, cash equivalents and marketable securities as of December 31, 2022. The development in 2023 is mainly driven by the DKK 1.5 billion in gross proceeds from the directed issue and private placement of new shares in April 2023 partly offset by cash used in operating activities during the period (DKK -426 million) and settlement and repayment of the Oberland loan (DKK -526 million).

As of December 31, 2023, Zealand has placed DKK 1.2 billion in low-risk marketable securities with an invested graded rating of AAA to -BBB, whereas cash and cash equivalents amount to DKK 0.4 billion. This is in line with the Company's treasury policy. As of December 31, 2022, the split between marketable securities and cash and cash equivalents was largely opposite, with marketable securities at DKK 0.1 billion and cash and cash equivalents at DKK 1.1 billion.

The final repayment and termination of the loan agreement with Oberland Capital in May 2023 was refinanced through the undrawn Revolving Credit Facility provided by Danske Bank and the milestone payments from Boehringer Ingelheim and Sanofi associated with survodutide and lixisenatide, respectively. Both milestone payments totaling DKK 249 million have been received late 2023.

In December 2023, Zealand entered into a new EUR 90 million (DKK 671 million) finance agreement with the European Investment Bank (EIB). The loan is structured

with part of the interest paid at recurring intervals during the term and part being deferred (non-compounding) for payment at maturity of each tranche. In addition, the EIB has entered into a warrant agreement with Zealand that will entitle the EIB to receive warrants in Zealand when each tranche is drawn down. The warrants will, subject to the warrant terms, entitle the warrant holder to subscribe for ordinary shares in Zealand at market price.

Events after the reporting date

As announced on January 8, 2024, the Board of Directors exercised the remaining authorization granted by Zealand's annual general meeting held on March 29, 2023, to increase the Group's share capital by issue of 3,761,470 new ordinary shares at a subscription price of DKK 386.45 per new share.

The aggregate gross proceeds from the private placement amounts to DKK 1.45 billion and Zealand intends to use the net proceeds to further strengthen Zealand's investment in its differentiated assets targeting obesity.

The new shares were issued on January 12, 2024, and Zealand received the proceeds on January 16, 2024.

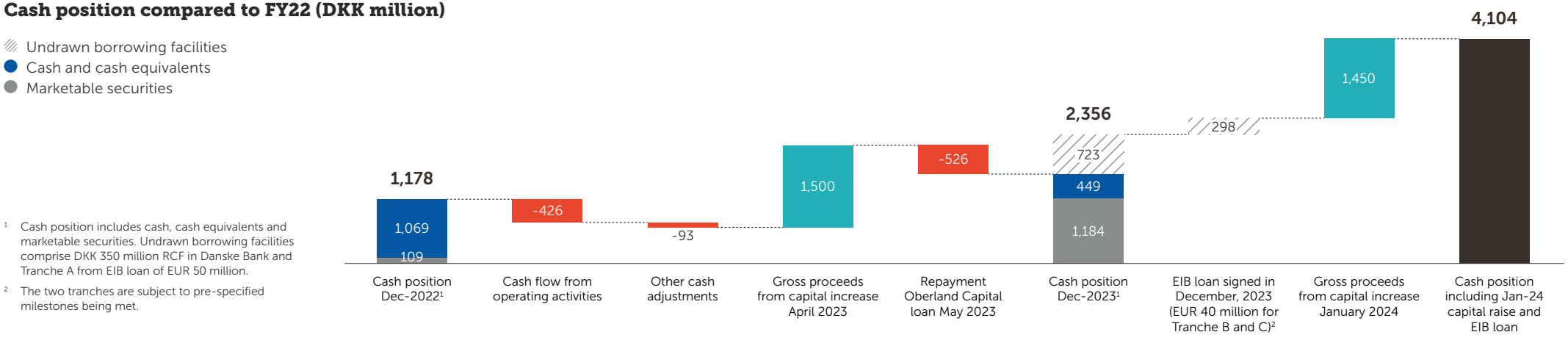
As announced on December 22, 2023, Zealand entered into a new EUR 90 million (DKK 671 million) finance agreement with the European Investment Bank (EIB). The conditions for disbursement of the first tranche (Tranche A) have been met. In February 2024, Zealand Pharma has accepted disbursement offer for Tranche A and the related EUR 50 million (DKK 373 million) is expected to be received in March 2024.

Aside from the above mentioned no events have occurred subsequent to the balance sheet date that could significantly affect the financial statements as of December 31, 2023.

Guidance

Net operating expenses in 2023 of DKK -896 million was within the guidance of DKK 800-900 million.

Cash position compared to FY22 (DKK million)



[1] Cash position includes cash, cash equivalents and marketable securities. Undrawn borrowing facilities comprise DKK 350 million RCF in Danske Bank and Tranche A from EIB loan of EUR 50 million.

[2] The two tranches are subject to pre-specified milestones being met.

Sustainability: Our patients, people and operations.

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Our responsibility.

At Zealand, we are committed to changing lives with next-generation peptide therapeutics. Through our innovative pipeline, we seek to make a difference for people living with chronic diseases while acknowledging our responsibility to society, our employees, and the environment.

Our focus areas

As we pursue our ambition of becoming the world's best peptide drug discovery and development company, our impact on global health and society continues to increase. We recognize the importance of operating a responsible and sustainable business as we grow and expand our pipeline.

In 2023, Zealand further refined the company's Environmental, Social and Governance (ESG) strategy. We have identified three pillars within sustainability that are affected by our activities: our patients, our people, and our operations. For each pillar, we have or will set clear goals and ambitions to ensure that Zealand continues to act responsibly and sustainably. You can read more about our work within each pillar throughout this chapter.

Our patients.

We leverage innovation to advance the health and well-being of patients

Our people.

We foster an engaging and enriching workplace for our people

Our operations.

We take responsibility for the impact of our operations

The Sustainable Development Goals (SDGs)

We have adopted and incorporated selected UN Sustainable Development Goals that are aligned with our business impact and connect Zealand's efforts with those of other companies to address global challenges. We remain committed to these UN Sustainable Development Goals:

SDG 3: Ensure healthy lives and promote well-being for all at all ages

SDG 5: Achieve gender equality and empower all women and girls

SDG 10: Reduce inequality within and among countries

SDG 12: Ensure sustainable consumption and production patterns

SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

Our patients.

We leverage innovation to advance the health and well-being of patients

Health and quality of life
We work to develop patient-centric treatments that solve severe unmet medical needs

Patient collaboration
We engage with patients to ensure their voices are heard by the medical system

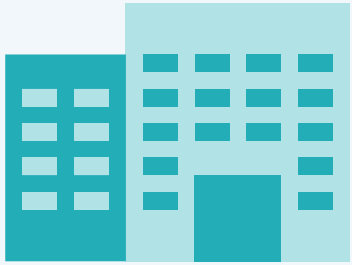
Our people.

We foster an engaging and enriching workplace for our people

Engagement
We strive to make Zealand an enriching place to work

Growth
We support our employees in developing to their full potential

Diversity and inclusion
We foster an inclusive workplace for all groups and backgrounds



Our operations.

We take responsibility for the impact of our operations

Climate
We recognize the importance of minimizing and mitigating our climate impact

Ethics
We ensure safeguards and controls to avoid adverse outcomes from our research and our business

Our business model.

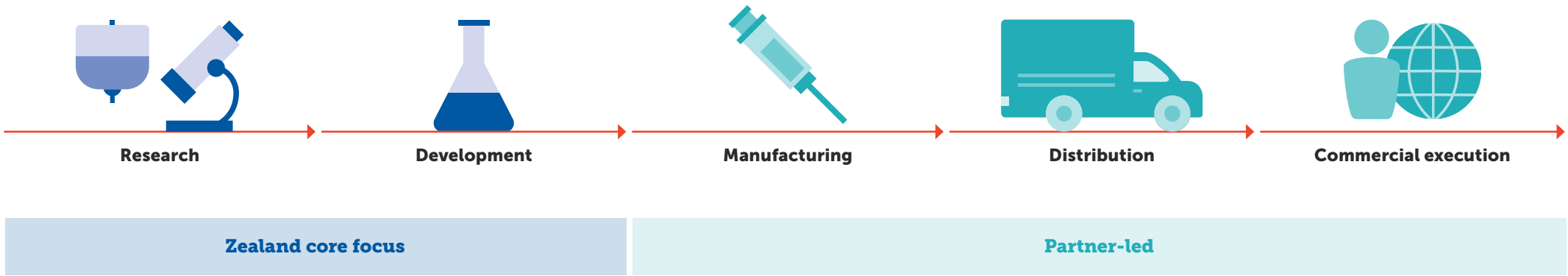
Our business model is focused on delivering best-in-class treatment options that address patient needs and ease the burden on healthcare systems.

Engaging with partners so that we can focus on our core competencies

Our core strength as a company lies in therapeutic peptide design and development, which has led to our R&D pipeline of promising candidates targeting obesity, rare diseases, and inflammation. You can read more about our peptide platform on pages 13-14.

Our strategy is to pursue global co-development and commercialization partnerships that complement and extend our capabilities to deliver new therapies to patients with unmet medical needs. We aim to engage with partners across the value chain. We also have partnerships with academic and scientific institutions, leading contract research organizations (CROs), contract manufacturing organizations (CMOs), and distribution partners.

Find out more about our peptide platform
Go to pages 13-14



Working with sustainability at Zealand.

Sustainability is anchored with Corporate Management to ensure that our organization's ethical compass is set from the helm, fostering accountability and guiding responsible decision-making.

Governance
The Board of Directors sets the overall corporate strategy for Zealand Pharma as well as our ESG strategy. The Audit Committee oversees ESG policies, governance, and reporting. Within Corporate Management, ESG is anchored with our Chief Financial Officer and our Chief People Officer. This ensures top-level commitment and underpins the importance of this emerging area.

ESG governance structure

Accountability
Our ESG steering committee, represented by members of the Corporate Management team from P&O, Finance, Operations and Legal, is responsible for executing our sustainability strategy and works diligently to ensure that ESG is embedded throughout the organization and integrated in our business model as well as to assure legal compliance.

ESG is considered an integral part of the Zealand culture and DNA. We have undertaken extensive work to refine and formalize our efforts within ESG. Since 2022, ESG goals have been an integrated part of our Company Goals linked to our performance-based remuneration. This includes all employees as well as Corporate Management. In 2023, all sub-goals related to ESG were achieved. The 2024 ESG priorities therefore focus on CSRD readiness, ESG strategy, as well as efforts to enable measurable target setting within the "Our operations" pillar.

Nicole works in Clinical Operations

Double Materiality Assessment.

We have advanced our double materiality assessment to shape the ESG strategy, pinpointing focus areas that align both with internal business impacts and external stakeholder priorities.

Preparing for CSRD

In 2023, we advanced our double materiality assessment to prepare for the upcoming Corporate Sustainability Reporting Directive (CSRD). The preliminary inside-out and outside-in assessment has been an important part of formalizing the appropriate ESG strategy for Zealand and identifying our ESG strategy pillars, highlighting the most material and impactful topics for Zealand and across the value chain.

Zealand must comply with the CSRD by the financial year 2025. Based on the outcome of the double materiality assessment, Zealand is required to report on data points related to the 12 material topics and we are currently working on closing the identified data gaps for these to ensure compliance with CSRD. This chapter continues to be based on the requirements of the Danish Financial Statements Act and complies with relevant laws, standards, and guidelines for reporting on corporate social responsibility activities.

Preliminary assessment of material topics

Environmental	Social	Governance
Climate change (incl. green house gas) Emissions)	Employee engagement and development	Animal welfare
Energy management	Diversity Equity and Inclusion	Risk mgmt. and ethical business practices
	Patient access to medicines	IP and Anti-trust
	Patient health and safety	Privacy and data protection
	Health and Safety	
	Ethical and responsible marketing	

Our patients.

Zealand's most important contribution to a sustainable society is through improvement of the health and well-being of patients by developing new medical treatments. Our first strategy pillar focuses on Health and Quality of Life and Patient Collaboration.

Health and quality of life.

We work to develop patient-centric treatments that solve severe unmet medical needs

Patient collaboration.

We engage with patients to ensure their voices are heard by the medical system

Our investments in research and development are driven by the goal of addressing unmet medical needs, ultimately improving outcomes and care for patients

Patients are the heart of our business. We work with patient communities, thought leaders and external experts as we aim to improve the lives of people by addressing unmet medical needs. Our commitment is within Research and Development (R&D). In 2023, 76% of our operating expenditure (OPEX) was focused on R&D and 80% of our employees work within the R&D organization. This ratio is expected to remain steady in 2024, as we continue to invest in R&D and seek partnerships for commercialization of our late-stage assets.

During 2023, Zealand was sponsoring seven active clinical trials. Over the course of these trials, Zealand expects up to 337 trial participants to be enrolled.[1] In 2024, we expect this figure to increase, as we plan to initiate a comprehensive Phase 2b trial with petrelintide in obesity and a Phase 1 trial with our Kv1.3 Ion Channel Blocker targeting inflammation. As part of our work to increase awareness of our medical advances, we attend scientific congresses to update the community on the development of our product candidates. In 2023, we attended 20 congresses and delivered 30 scientific communications, including 12 abstracts, four posters and eight oral presentations, as well as six manuscripts. As we move into 2024, the number of scientific publications and congress attendances are expected to be at a similar level.

Health and quality of life

We work to develop patient-centric treatments that address unmet medical needs. Our current pipeline includes potential treatment options for two rare diseases, chronic inflammation, as well as the greatest healthcare challenge of our time - obesity. You can read more about our pipeline and these disease areas on pages 15-25.

Addressing the greatest healthcare challenge of our time

For 300,000 years, the rate of obesity among humans has been low and stable... until now. During the last 50 years, obesity has become a global pandemic and arguably the greatest healthcare challenge of our time. Worldwide prevalence of obesity has nearly tripled between 1975 and today where 2 billion people are considered overweight

[1] Petrelintide (Ph1b), Dapiglutide (Ph1b), Glepaglutide (EASE-2, EASE-3, EASE-4) Dasiglucagon for CHI (long-term extension trial), Dasiglucagon rescue pen (pediatric trial).

or obese. Obesity places a substantial burden on individual patients' quality of life, impacting physical health, emotional well-being, and daily activities, often leading to challenges in mobility, increased risk of comorbidities, and psychological distress. More than 3 million people die each year as a consequence of obesity. This is equivalent to the estimated number of global deaths attributable to COVID-19 during 2020, just every year. We believe that our product candidates targeting obesity and obesity-related comorbidities represent some of the potential keys that can help unlock the challenges associated with the obesity pandemic. With more and better treatment options, our vision is that we can address obesity and obesity-related comorbidities during the next 50 years, preventing healthcare systems from becoming overwhelmed.

Addressing unmet medical needs in rare diseases
Dasiglucagon is designed to serve a critical need for newborns, infants, and children with congenital hyperinsulinism (CHI). CHI imposes a drastically different lifestyle on affected families and is associated with significant morbidity as well as psychosocial and financial burden. The absence of safe and efficacious treatment options represents an urgent unmet medical need. We believe that dasiglucagon can substantially improve the quality of life of patients living with CHI and their families.

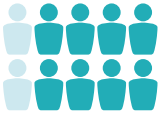
In the first half of 2024, we expect to resubmit the New Drug Application (NDA) for dasiglucagon in CHI for up to three weeks of dosing, contingent on a successful reinspection of the third-party manufacturing site where the FDA has identified some deficiencies to be addressed. We also plan to submit the second part of the NDA supporting treatment beyond three weeks in the first half of 2024. In parallel, we will pursue a commercial partnership agreement to reach as many patients as possible.

In 2023, we also submitted an NDA for glepaglutide for the treatment of short bowel syndrome (SBS). SBS with intestinal failure (SBS-IF) is a rare, often neglected, debilitating disease, severely impacting patient quality of life. Severe nutrient malabsorption may lead to severe malnutrition and dehydration if not treated with parenteral support (PS) through a central venous catheter. Both symptoms of SBS-IF and potential PS complications impose significant life restrictions and daily challenges.

Our long-acting GLP-2 analog, glepaglutide, provided in a ready-to-use autoinjector, may offer beneficial efficacy, safety/tolerability and convenience, reducing patient burden and improving quality of life. As with dasiglucagon for CHI, we will pursue a partnership agreement for the commercialization of glepaglutide to ensure maximum patient reach.

Our patients KPIs

76%
of operating expenditure (OPEX) allocated to R&D in 2023.



80%
of full-time equivalents (FTEs) working in R&D in 2023.

337
sponsoring seven active clinical trials in 2023 in which up to 337 trial participants are expected to be enrolled.

30
scientific communications in 2023.

Patient collaboration

We engage with patients to ensure that their voices are heard by the medical system. As we develop our novel treatments, we have a focus on patients' needs informed by strong collaborations with patient organizations.

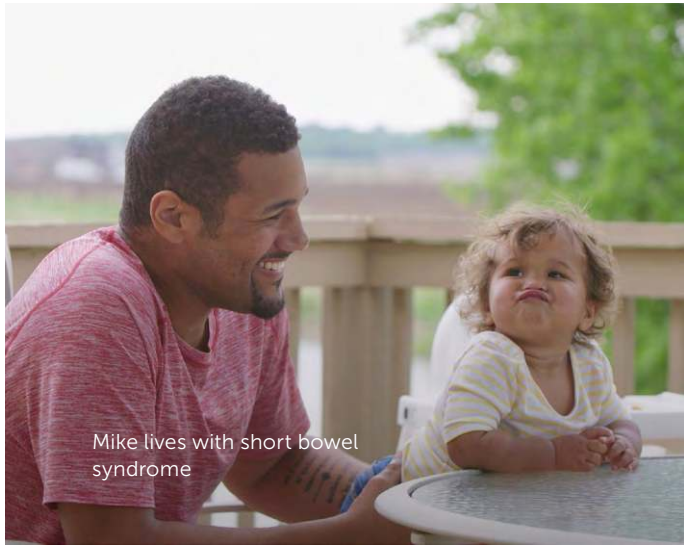
In rare diseases, this collaboration is especially critical to raise awareness and understanding of the diseases and improve access to care. At Zealand, we have long-standing relationships with organizations, including Congenital Hyperinsulinism International and The Oley Foundation (working with short bowel syndrome) through various initiatives such as funding support and clinical trial collaboration. We work with thought leaders and external experts in both disease areas of CHI and SBS to inform communities and maximize the reach of our potential medical treatment options. In 2023, we held both SBS and CHI Summits at our headquarters outside Copenhagen to gather key external experts and medical staff from sites that had participated in our clinical trials, as well as patient organizations, to exchange perspectives and insights directly relevant to our programs.

Once our rare disease products are on the market, we will continue to monitor impacts on patient outcomes as well as expand efforts to inform and improve treatment decisions.

As our obesity pipeline matures, we will engage with patient organizations where we, amongst other things, will work on changing the perception of the disease. Many continue to consider obesity a lifestyle choice, as opposed to a serious chronic disease, impacting the payer sentiment, patients' desire to seek medical advice and treatment, as well as the attitude of healthcare professionals towards prescribing anti-obesity medications.

Never compromising on quality

When conducting clinical trials, quality is of essence to ensure patient safety, product quality and data integrity. To remain compliant and in control, we ensure that we integrate quality and data integrity in our processes. Our Development and Operations areas outsource good practice (GxP) activities to qualified and approved suppliers, where the sponsor and product ownership responsibilities remain with us. Our reliance on external partners to perform GxP activities poses an inherent risk that partners may not follow requirements of pharmaceutical quality standards. Such non-compliance could in turn jeopardize patient safety, quality, access, and safety and efficacy of our medicines. Oversight of the activities is carried out to ensure compliance with the applicable requirements including Good Laboratory Practice (GLP), Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), Good Pharmacovigilance Practice (GVP), appropriate standards for medical devices and others. We work in close partnerships with our suppliers to achieve quality products and processes. Our partners are selected and maintained through a rigorous process where we focus on business ethics and business continuity as well as capability and capacity of the services provided. This includes, but is not limited to, use of specialized computer systems, process understanding, regulatory understanding and suitability of the supplier's own quality system. Elements in the assessment include quality audits, frequent follow-up and oversight, supplier management assessment, and evaluation of financial stability.


Mike lives with short bowel syndrome

Our Pharmaceutical Quality System is described in our Quality Manual, which also defines our Quality Policy. Ongoing evaluation of our quality system is performed through both internal audits and external inspections from relevant health authorities, including the Danish Medicines Agency and the US Food and Drug Administration.

Our people.

We foster an engaging and enriching workplace for our people through our focus on Engagement, Growth, and Diversity & Inclusion.

Engagement.

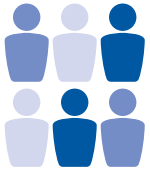
We strive to make Zealand an enriching place to work

Growth.

We support our employees in developing to their full potential

Diversity and inclusion.

We foster an inclusive workplace for all groups and backgrounds



At Zealand, we believe that engaged and motivated employees with a passion for making a difference bring a positive mindset and inspiring level of energy to work. Our highly skilled employees are at the center of the medical treatment options that we design and develop for patients. We pride ourselves on our ability to work together as one team and to foster a strong and engaging company culture founded on collaboration, courage, empowerment, and trust.

The Zealand family continues to grow. We started 2023 with 196 employees and we ended 2023 with 253 employees. A total of 88 employees have been onboarded during the year. The turnover rate of 10.3% during 2023 is considered low, showcasing Zealand's ability to attract and retain highly skilled workers even in a highly competitive market.

Engagement

We strive to make Zealand an enriching place to work. We do so by leveraging our DNA: We are BOLD, we EMPOWER people, we work as ONE TEAM, and we can be TRUSTED. Throughout our 25-year history, we have built a unique company culture where employees are given autonomy to shape their work with a strong focus on a deeper purpose.

To support our employees' well-being, we work systematically to maintain a safe, inclusive, secure, and healthy work environment. We have designed our policies and governance systems to promote physical and psychosocial health, including a Works Council and an Occupational Safety and Health Committee (OSHA Committee), on which both management and employees are represented and where matters related to our work environment are regularly discussed. We have a hybrid working environment that allows our employees to work from home when it suits the individual employee and the specific work tasks. We continue to focus on optimizing the work-life balance of all our employees to ensure their well-being.

Our commitment to an engaged workforce is evident from our latest engagement survey where Zealand employees responded with a high response rate (92%) and reported a high level of positive engagement (8.8/10). As part of our ESG strategy development in 2023, we aim for a continuous high target of a positive engagement score of +8.

Zealand Pharma employees in brief

253
employees at the end of 2023

10.3%
turnover rate during 2023

8.8
overall engagement score (target of >8.0 out of 10)

Results from the 2023 engagement survey also highlighted future focus areas to ensure high engagement is maintained. We will continue to focus on work-life balance, optimization of processes and available technologies, and clear communication around the strategy and direction for Zealand.

In 2024, we will launch a new leadership development program for leaders across the organization. The leadership development program will, among other things, focus on creating a shared leadership framework, enhance strategic thinking, and provide better tools for open conversations and assembling the right team. We will also strengthen our HR Business Partner function to equip managers with the right tools to promote employee engagement and to assist people managers in their employee development skills.

Health and safety

Laboratory operations contain inherent risks; therefore, we work systematically to maintain a safe and healthy work environment for all employees. Several procedures are in place, including a manual describing our policies on occupational safety and health (OSHA). All our employees are trained in the standard safety protocol and they are given the tools to manage their own occupational safety. We conduct quarterly safety walk throughs of our facilities and a near-accident reporting system is maintained to build on our strong safety track record and safeguard against potential future accidents. In 2023, one near-accident was reported under our near-accident reporting initiative (2022: 4) and we had one "obligated to notify" accident (2022: 0).

Growth

At Zealand, we support our employees in developing to their full potential. We prioritize employee growth via hands-on practical learning and delegating new responsibilities in a supportive environment. This strategy is backed by structured regular review processes to discuss performance and identify plans for future learning opportunities. While individuals have ownership of their own development, they are constantly supported with tools and mentorship to grow.

To support our growth initiatives, we plan to launch a consistent and transparent career framework for all employees, and offer relevant training. We are also developing and launching an internal mentorship program during 2024 to leverage our strong internal competencies.

Diversity and Inclusion

We foster an inclusive workplace for all individuals regardless of their background. We value diversity not only because we believe that this is the socially responsible thing to do, but because we believe that diverse teams arrive at better solutions, eventually benefitting patients, our company, and society at large.

We are committed to providing equal employment opportunities for all employees, and we evaluate recruitment of new employees, training and development opportunities

Christin works in Molecular Pharmacology

for existing employees, promotions, and other personnel decisions regardless of race, color, gender identity or expression, religion, age, sexual orientation, national origin, disability, military or veteran status, part-time or full-time employee status, or any other basis.

We acknowledge that diversity goes beyond gender and that we as a company embrace diverse backgrounds in terms of experience and competencies. In Zealand, we do not only have a diverse team in terms of gender, but also value different educational, cultural, and industry backgrounds. The age range of our employees is 27 to 68 (average of 47.1), showcasing our ability to attract young as well as experienced talent. One of the founders of Zealand, as well as the first employee to be hired, are still with us today, having celebrated their 25th anniversary along with the company. Inclusion is a focus area in our annual engagement survey with dedicated questions and a commitment to showcase this in future annual reports. In 2024, we plan to formalize and communicate our diversity and inclusion policy.

Diversity in management

Under Danish law, when reporting diversity in management, the Board of Directors and Executive Management (Zealand's CEO and CFO) are considered. We acknowledge that diversity in management as well as the organization creates a better position for fruitful dicision making. As with the remaining organization, Management is selected and evaluated based on their capabilities, regardless of race, color, gender identity or expression, religion, age, sexual orientation, national origin or disability. In 2023, there were no changes to the Executive Management nor Board of Directors, but as described the Board composition will change in 2024. If the Board observers are elected as members, they will bring extensive pharmaceutical industry experience and contribute to our diversity in terms of nationality, ethnicity and educational background.

Statutory gender reporting under Danish law

We strive to achieve balanced representation of genders at all management levels, from the Board of Directors to the heads of departments.

	2023
Board of Directors[1]	
Total number of members	7
Underrepresented gender (%)	29%
Other management positions[2]	
Total number of members	22
Underrepresented gender (%)	45%

The Board of Directors consisted of two women and five men elected at the Annual General Meeting in 2023 and is therefore regarded as having an equal gender distribution (underrepresented gender: 29%). Consequently, Zealand is not obligated to set a gender distribution target for the Board. At the Annual General Meeting in 2024, two Board observers stand for election, one woman and one man. If elected, they will replace two male members of the Board, resulting in a female representation of 43% going forward.

As of December 31, 2023, Other Management Positions[2] consisted of 22 employees of which 45% were women, thus giving an equal gender distribution. A target is therefore not required.

[1] Shareholder elected board members of Zealand Pharma A/S
[2] Corporate Management and their direct reports with managerial responsibilities, all employed by Zealand Pharma A/S

Our operations.

At Zealand, we take proactive responsibility for the impact of our operations. Our Operations pillar is centered around Climate and Ethics.

Climate.

We recognize the importance of minimizing and mitigating our climate impact

Ethics.

We ensure safeguards and controls to avoid adverse outcomes from our research and our business

Climate

While Zealand's environmental footprint and risks associated with climate-related matters are currently considered relatively low, we recognize the importance of minimizing and mitigating our climate impact. We are continuously evaluating and implementing initiatives that can reduce any negative impact on the environment from our operations. This is very close to the heart of our employees who have organized a Green Initiatives Group with the ambition of minimizing resource consumption, waste, and energy usage in our laboratory facilities.

In 2023, we continued to have certified electricity at our Copenhagen facilities to ensure that 100% is sourced from sustainable energy, such as wind or hydro power. We also implemented a new policy to ensure that all new company paid cars are electric and that by 2027 all company cars will be electric. We significantly expanded our charging stations to facilitate the increasing demand from our employees. We have also included environmental criteria for selecting and evaluating contract manufacturing organizations as part of our Supplier Code of Conduct.

During 2024, we plan to calculate our CO_2 baseline, including scope 1-3 emissions. This will enable us to set a formal decarbonization roadmap to prioritize our efforts where they have the biggest impact. Furthermore, this is an important step towards meeting CSRD requirements. During 2024, we plan to explore setting an emission reduction target as part of our work with decarbonization following establishing the CO_2 emission baseline.

Ethics

As an R&D company working within pharmaceuticals, we recognize the importance of having safeguards and controls to avoid adverse outcomes from our activities. We strive to operate according to the highest ethical standards and safeguard our business against corruption, bribery, and non-compliance.

Our reputation as a trusted business and scientific partner is crucial to our ability to engage successfully in existing and potentially new partnerships. Therefore, we ensure that our employees are continuously trained and kept updated with policies on good business practice and compliance, insider trading, and appropriate legal management of third-party intellectual property. We proactively engage in positive dialogue with all regulatory and advisory authorities and with stakeholders from relevant industries in order to be inspired to make further improvements.

As part of our program of maintaining a robust ethical working environment, Zealand maintains a whistle-blower program that is monitored by an external law firm to ensure that issues that need to be examined by Corporate Management and members of the Board of Directors are brought to their attention when appropriate. All employees are introduced to the whistle-blower service when they join the company to ensure that they are able to use it if the occasion arises. In 2023, we had zero whistle-blower cases.

We actively promote and maintain a policy of transparency and honesty with our employees. At Zealand, we do not accept bribery, corruption or fraud. Zealand's Code of Conduct, which all employees are regularly trained in, and the Employee Handbook stipulate a set of policies specifying the company's standards regarding our employees' general and legal conduct. We set the same standards for key suppliers through our Supplier Code of Conduct. All our suppliers have confirmed that Zealand's supplier Code of Conduct correspond to their own internal Code of Conducts, thereby living up to our anti-bribery, corruption and fraud standards.

At Zealand, we believe in being transparant about our global tax positions and tax policies. We are committed to always paying taxes in due time in the countries in which we operate in accordance with applicable tax laws and regulations. We aim to keep the business setup as simple as possible and therefore have a limited number of entities present in Denmark and the United States. Transactions

Dino works in Alliance Management

between the Group companies are conducted on market terms in accordance with the arms' length principle. In general, we assess that the risk regarding transfer pricing is limited due to the simple business structure.

We have taken every precaution to keep all employees, board members and certain stakeholders up to date and compliant with our internal rules. We distinguish carefully between those who are listed on the permanent insiders' list and those who are exposed to what is deemed insider information. In the latter case, we take every precaution to keep an up-to-date list of employees' knowledge of insider information. All new employees are introduced to our internal rules and are required to digitally sign off stipulating that they have read and understood these rules.

We have strict policies regarding the proper use and transfer of intellectual property. We continuously refine our confidentiality and material transfer agreements to reflect critical changes in the industry, building on the extensive industry experience of many of our employees.

At Zealand, we are committed to apply data ethics that are consistent with the appropriate privacy regulations and consistent with accepted industry practice. We currently have policies on Data Integrity and Good Documentation that apply to the integrity and quality of data for clinical trials, as well as a Data Governance Manual that governs the way that certain categories are handled and used. We believe these policies provide adequate safeguards for our data.

During vendor selection, we review the capabilities of potential partners as part of the process to engage with them in supply agreements. At present, our major vendors are located in the United States, Taiwan, and Europe (with additional facilities for some elements of their work in China). We believe our vendors operate to an appropriate standard of human rights protection as far as our products are concerned. All suppliers have confirmed that our human rights and labor requirements in our Supplier Code of Conduct are met and correspond to their own internal Code of Conducts.

Animal welfare

In the discovery of new therapies and to ensure the efficacy and safety of new pharmaceuticals as required by regulatory authorities, it is necessary to conduct in-vivo experiments using laboratory animals.

Our policy on animal ethics and welfare is to use animal studies only where no available and acceptable in vitro alternative exists. All laboratory animals used under our responsibility must be treated gently and with respect, and only purpose-bred animals are used. We adhere to the principles of the 3Rs (reduce, refine, replace) and work to integrate these principles in all studies.

All in-house animal studies are carried out in accordance with specific licenses issued by the Ministry of Environment and Food of Denmark and international guidelines, as appropriate. Danish law stipulates regular inspections of the animal facilities as well as comprehensive reporting protocols overseeing experiments conducted during the year, processed through The Animal Experiments Inspectorate. Continuous dialogue between lab technicians, veterinarians, academic staff, and heads of departments ultimately ensures the highest animal welfare standards in all studies conducted.

All employees working with laboratory animals have appropriate and documented education and training, proactively monitoring developments in the field. Veterinary checks of our animals are performed regularly.

In addition, our internal ethics committee scrutinizes all proposed in-house in-vivo pharmacology, toxicology, and pharmacokinetic experiments for compliance with regulatory permissions and highest ethical standards. The necessity of animal experiments to our research and development activities cannot be overstated, which is why we constantly strive for the greatest vigilance and care in our treatment of animals.

Corporate Governance.

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Introduction.

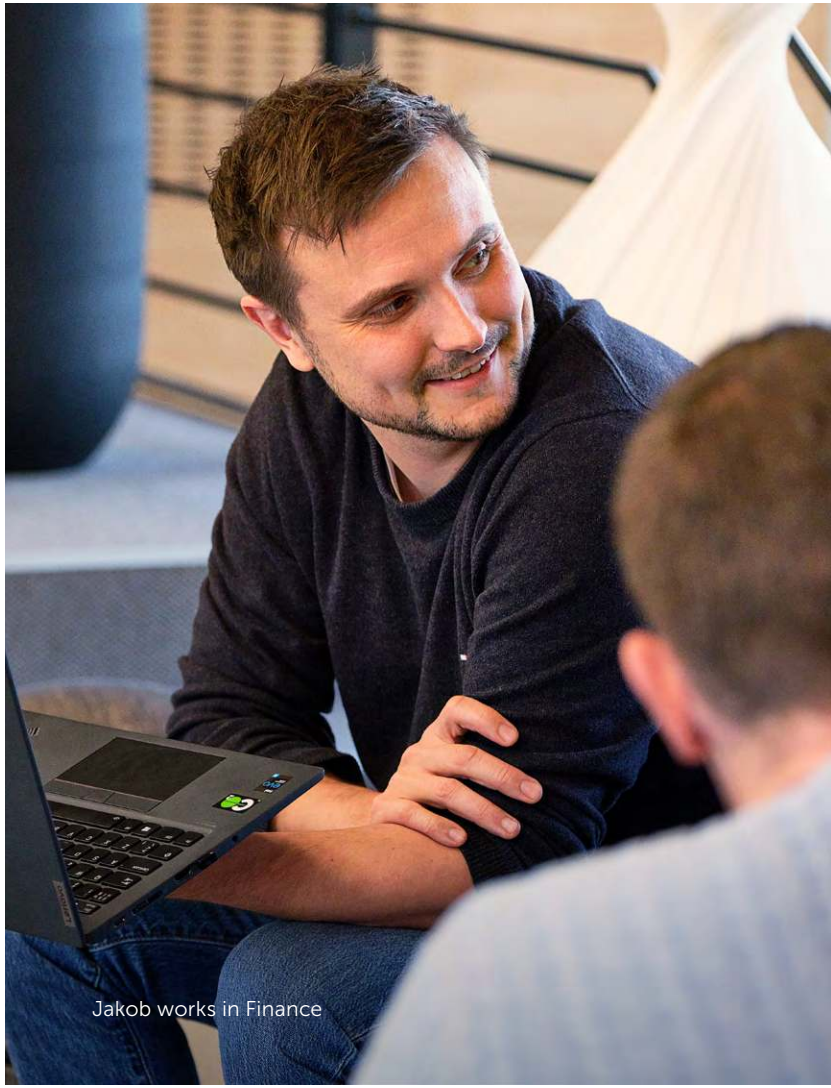
This chapter on the corporate governance of Zealand Pharma A/S ("Zealand") has been integrated into the management review of the Annual Report 2023 and covers the period January 1 – December 31, 2023.

As a company incorporated under the laws of Denmark, and with its shares admitted to trading and official listing on Nasdaq Copenhagen, Zealand is subject to various applicable legislation, 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'') updated on December 2, 2020.

At Zealand, we regularly review our activities to ensure that we meet our obligations to shareholders, employees, regulatory authorities, and other stakeholders while maximizing long-term value. Zealand also regularly reviews its rules, policies and practices within risk management and internal control to improve guidelines and policies for corporate governance, ensuring that the standards that we set are up to date with accepted practice for a company like Zealand. In addition to these, when relevant, we have corporate governance activities reviewed by a third party who carries out an evaluation of the Board and how it is governed.

In addition to the reviews set out above, the Board of Directors and Corporate Management constantly seek to ensure that Zealand's management structure and control systems are efficient, function properly, and provide the right degree of control and management to the organization. Several internal procedures have been developed and are continuously updated, with external assistance if required, to ensure active, secure, and efficient management of our company.

Find out more about Zealand at
zealandpharma.com/corporate-governance/


Jakob works in Finance

Corporate governance structure.

Zealand has a two-tier management structure composed of the Board of Directors ('the Board') and Corporate Management.

The Board is responsible for the overall vision, strategies and objectives, the financial and managerial supervision of Zealand, as well as for regular evaluation of the work of Corporate Management. In addition, the Board provides general oversight of Zealand's activities and ensures that it is managed in a manner and in accordance with applicable law, Zealand's articles of association, and the policies and procedures that are put in place to ensure sound governance.

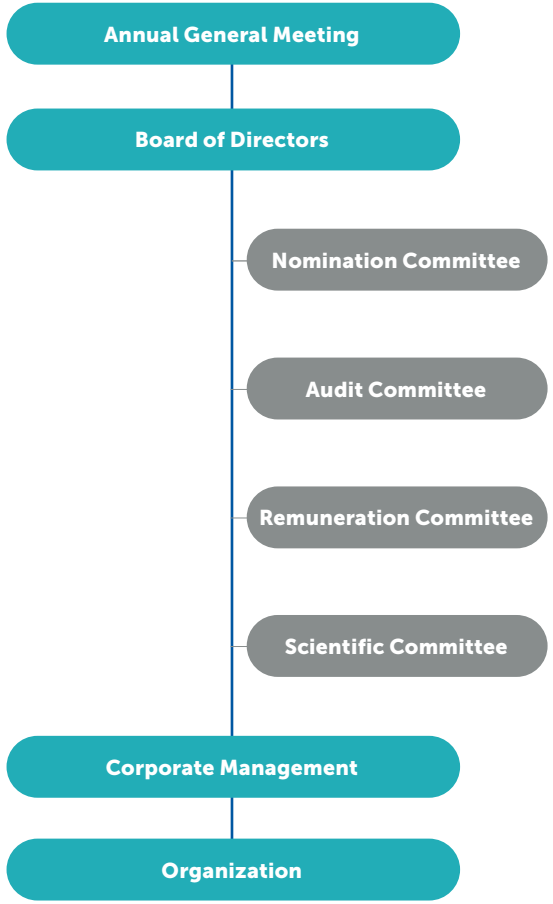
The Board approves the policies and procedures, and Corporate Management is responsible for the day-to-day management of Zealand in compliance with the guidelines and directions set by the Board. The allocation of responsibilities between the Board of Directors and Corporate Management is stipulated in the Rules of Procedure that are reviewed and signed every year by the members of the Board of Directors and Corporate Management after the Annual General Meeting.

Board of Directors

The Board plays an active role in setting Zealand's strategies and goals as well as in monitoring its operations and results. The Board functions according to its Rules of Procedure. The duties include establishing Zealand's policies to achieve Zealand's objectives in accordance with its articles of association that form an important set of guardrails for how the company should be governed. These also define the responsibilities of the Board, for example ensuring that Zealand's bookkeeping, accounting, asset management, information technology systems, budgeting and internal control are properly organized.

As of December 31, 2023, Zealand's Board is comprised of seven Board members elected at the Annual General Meeting, four employee representatives elected by Zealand's employees, and two Board observers. The Annual General Meeting appoints each shareholder-elected member of the Board for a one-year term, whereas employee representatives are elected for a four-year term. The two Board observers appointed in 2023 will stand for election as Board members at the 2024 Annual General Meeting, whereas two current members of the Board do not stand for re-election. The other five current members of the Board and all the employee-elected members of the Board are up for re-election in 2024.

Corporate governance structure



Board members elected by the shareholders:
- Martin Nicklasson, Chair
- Kirsten A. Drejer, Vice Chair
- Jeffrey Berkowitz
- Bernadette Connaughton
- Leonard Kruimer
- Alain Munoz (not for re-election at AGM 2024)
- Michael J. Owen (not for re-election at AGM 2024)

Board members elected by the employees:
- Jens Peter Stenvang
- Frederik Barfoed Beck
- Anneline Nansen
- Iben Louise Gjelstrup

Board observers for election as Board members at AGM 2024:
- Enrique Conterno
- Elaine Sullivan

In line with the Recommendations, the Board reviews and determines the qualifications and experience needed on the Board with respect to:

- Scientific knowledge within bioscience and innovation of pharmaceutical products
- Financial experience and knowledge
- Experience in leading an innovative business and insight into the biopharmaceutical market
- Experience with market entry and relationship with payers
- Experience in handling and managing partnering agreements
- Competency in ensuring that the obligations of a listed company are fulfilled

In 2023, the Board decided to carry out a full independent review of its performance. This performance was carried out independently by the Leadership Advisory Group (LAG) in compliance with article 3.5 of Danish Recommendations on Corporate Goverence 2020. They used a mixture of anonymous on-line questionnaires and one to one interviews with members of the Board and members of management. The results were presented to the Board before the 2023 annual general meeting and provided areas where the governance of the company could be the subject of annual review and further strengthened. These recommendations were instituted as part of the company's annual review as a matter of routine.

At the beginning of 2024, the Board decided to follow this evaluation to check its progress and to ensure that there was independence when the Board was evaluated. Once again, the Board decided to use the services of the LAG to follow up from its last review of the Board in 2023. The LAG used an anonymous on-line questionnaire that was sent to each member of the Board and management. LAG produced a report that was sent to the Chair and the Company Secretary. The Chair also met one to one with the members of the Board to discuss the functioning of the Board.

Paola works in Medicinal and Computational Chemistry

The report that is compiled measures 11 separate categories and scores them based on an average of the scores from the member of the Board and Management (11 + 6 people in total). Of these 11 categories. The scores indicate the following performance against benchmarks for Danish companies.

The results indicate that in six of the 11 categories (indicated in blue font in the chart below) Zealand's performance was regarded as exceptional across various categories. The LAG's assessment was that in these six categories Zealand represented a role model company board.

The Board should meet at least 6 times a year and whenever the Chair decides that it is necessary. The Board of Directors met for a total of 10 times in 2023 and of these 6 meetings were virtual.

Audit Committee

The Audit Committee consists of Leonard Kruimer, Martin Nicklasson, Jeffrey Berkowitz, and Bernadette Connaughton. The committee is chaired by Leonard Kruimer.

The Audit Committee plays an active role in setting Zealand's strategies and goals as well as in monitoring its operations and results, including ESG. The Committee functions according to its Charter that is reviewed on an annual basis. The duties include the internal controls and risk management systems related to financial reporting and evaluating the need for an internal audit.

- establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls, auditing and financial reporting matters (whistle-blower function);
- nominating the statutory external auditor to be elected at the Annual General Meeting and preparing the recommendation to the Annual General Meeting regarding the election of our external auditor, as well as, if relevant, proposing to the Annual General Meeting that an external auditor is discharged;
- monitoring the strategy, plan, scope and approach of the external auditor's annual audit;
- monitoring and approving the terms and compensation of the external auditor;
- monitoring the external auditor's reports to the Executive Management and the Board of Directors, including management letters and long-form reports, discussing any reports with the Executive Management and the external auditor and be mainly responsible for resolving any disagreements between the external auditor and the Executive Management;

LAG report results

Category	Score from a total of 5	Benchmark	Difference	Role Model Benchmark
Strategy Development and implementation	4.10	3.53	+0.57	4.19
Risk awareness, monitoring and reporting	3.96	3.48	+0.48	4.14
Co-operation with CEO and Management	4.47	3.61	+0.86	4.47
Board Composition and dynamics	4.13	3.57	+0.56	4.13
On and Off Boarding	3.39	3.08	+0.21	3.90
Meeting Structure and operation	4.36	3.70	+0.66	4.36
Meeting effectiveness	4.31	3.72	+0.59	4.31
Shareholders and stakeholder relations	4.03	3.41	+0.62	4.29
Committee and Vice Chair value contribution	4.23	3.75	+0.48	4.24
Evaluation of the Chair	4.67	4.09	+0.58	4.67
General	4.41	3.79	+0.62	4.41
Overall Score	**4.23**	**3.61**	**+0.62**	**4.23**

- considering (at least on an annual basis) the performance and independence of the external auditor and obtaining and reviewing of a report from the external auditor substantiating that the external auditor is independent;

- reviewing policy in relation to the provision of non-audit services by the external auditor under which the Audit Committee approves non-audit services delivered by the external auditor;

- engaging independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;

- obtaining available appropriate funding as the Audit Committee determines necessary for the fulfilment of its tasks and duties; and

- evaluating on an annual basis: (i) the performance of the Audit Committee, including independence and financial expertise; and (ii) the adequacy of the Audit Committee's charter and recommendation of any proposed changes to the Board of Directors.

In 2023, specific topics discussed included auditor's reports, accounting policies, internal controls, compliance, finance, going concern status, risk management, cybersecurity, insurance policy, year-end issues, ESG reporting, transactions not in the usual course of business and external financing.

The Audit Committee met for a total of 7 times in 2023 and of these 5 meetings were virtual. The committee is composed of independent members.

Remuneration Committee

The Remuneration Committee consists of Martin Nicklasson, Alain Munoz, and Michael J. Owen. The committee is chaired by Martin Nicklasson. Alain Munoz and Michael J. Owen do not stand for re-election at the 2024 Annual General Meeting.

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. The committee functions according to its Charter that is reviewed on an annual basis.

The proposed remuneration policy is subject to the approval of our shareholders at the Annual General Meeting. Our Remuneration Committee has the following principal responsibilities:

- preparing and presenting proposals to the Board of Directors on the framework for remuneration packages for Executive Management, including, but not limited to salary, salary increases, pension rights and any compensation or termination payments, ensuring that the contractual terms are fair to the individual and to Zealand, that failure is not rewarded, and that the duty to mitigate loss is fully recognized;

- preparing and presenting proposals to the Board of Directors on remuneration matters of material importance to Zealand, including incentive programs and payments for the Executive Management. The proposals for remuneration of Executive Management, including any incentive program, shall be in accordance with and not exceed relevant comparable market practice levels at any given time;

- preparing and presenting proposals to the Board of Directors on the targets (bonus levels and performance targets) for company-operated performance-related incentive programs for Executive Management, as well as monitoring and evaluating the fulfilment of such targets;

- overseeing the implementation of any pension, retirement, death or disability, or life insurance scheme and any incentive schemes for Executive Management; and

- reviewing and considering the proposals from our Nomination Committee on remuneration for members of the Board of Directors and Executive Management.

In 2023, specific topics discussed included long-term incentive programs for management and Board of

Directors, company goals, and the compensation policy for eligible employees. Please refer to the 2023 Remuneration Report for more details.

The Remuneration Committee met for a total of 6 times in 2023 and of these 5 meetings were virtual. The committee is composed of a majority of independent members.

Nomination Committee

The Nomination Committee consist of Kirsten A. Drejer, Leon Kruimer and Bernadette Connaughton. The committee is chaired by Kirsten A. Drejer.

The Nomination Committee makes recommendations for decisions to the Board of Directors regarding Board positions, identifying and recommending candidates for the Board of Directors. The Committee functions according to its Charter that is reviewed on an annual basis.

Specific topics discussed in 2023 included the composition of the independent members of the Board of Directors as well as the selection and recommendation of new members of the Board of Directors.

The Nomination Committee met for a total of 4 times in 2023 and of these 3 meetings were virtual. The committee is composed of independent members.

Scientific Committee

The Scientific Committee consists of Kirsten A. Drejer, Alain Munoz, and Michael J. Owen. The committee is chaired by Kirsten A. Drejer. Alain Munoz and Michael J. Owen do not stand for re-election at the 2024 Annual General Meeting.

The Scientific Committee is a forum with the purpose of leveraging the scientific expertise of the appointed Board members, understanding and challenging the approach and assumptions of the Zealand's Research & Development strategy, providing technical assistance to the Board on research and development-related issues, and guiding the Board on the risks of the Company's Research & Development strategy. Specific topics discussed in 2023 included the development of the clinical pipeline, preparation for potential interactions with regulatory authorities, and a review of the pre-clinical pipeline and innovation strategy.

The Scientific Committee met for a total of 4 times in 2023 and of these 2 meetings were virtual. The committee is composed of a majority of independent members.

Overview of meetings in 2023

● Attended ○ Absent

	Board	Audit Committee	Remuneration Committee	Scientific Committee	Nomination Committee
Martin Nicklasson	●●●●●●●●○●●●	●●●●●●●	●●●●●●	N/A	N/A
Kirsten A. Drejer	●●●●●●●●●●●●	N/A	N/A	●●●●	●●●●
Jeffrey Berkowitz	●●●●●●●●○●●●	●●●●○●●	N/A	N/A	N/A
Bernadette Connaughton	●●●●●●●●●●○●	●●●●●○●	N/A	N/A	●●●●
Alain Munoz	●●●●●●●●●●○●	N/A	●●●●●●	●●●●	N/A
Leonard Kruimer	●●●●●●●●●●●●	●●●●●●●	N/A	N/A	●●○○
Michael J Owen	●●●●●●●●●●●●	N/A	●●●●●●	●●●●	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

On August 8 and August 23, Leon Kruimer was travelling and unable to attend the nomination committee meetings scheduled for those dates. He was able to discuss the matters discussed during those meetings with the Chair of the Nomination Committee to ensure that he was up to date with the process that was in place to select potential new board members.

Corporate Management

Corporate Management is composed of Executive Management and other members of Corporate Management:

Executive Management

- Adam Steensberg, President and Chief Executive Officer
- Henriette Wennicke, Executive Vice President and Chief Financial Officer

Other members of the Corporate Management

- Ivan Møller, Executive Vice President and Chief Operating Officer
- Christina Sonnenborg Bredal, Executive Vice President, Chief People Officer
- David Kendell, Chief Medical Officer and Head of Research & Development
- Ravinder Singh Chahil, Executive Vice President and General Counsel

Board of Directors and Corporate Management.

Zealand Pharma Board of Directors at February 27, 2024

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

	Martin Nicklasson	Kirsten A. Drejer	Jeffrey Berkowitz
Position	Chair	Vice Chair	Board member
Year of birth	1955	1956	1966
Nationality	Swedish	Danish	American
Gender	Male	Female	Male
First elected	2015	2018	2019
Committee	AudCom and RemCom (Chair)	NomCom (Chair) and SciCom (Chair)	AudCom
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, whole-sale drug distribution, specialty, payor and healthcare services leadership experience in P&L accountable roles.
Current positions	Board member of Basilea Pharmaceutica Ltd. and Chair of Nykode Therapeutics AS.	Chair of the Board of 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 Pharma Board of Directors at February 27, 2024, 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	AudCom and NomCom	AudCom (Chair) and NomCom	RemCom and SciCom	RemCom and SciCom
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 in 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 GlaxoSmithKline, most recently as SVP and Head of Biopharmaceuticals Research.
Current positions	Board member of Halozyme Therapeutics Inc. and Editas Medicine.	Chair of the Board of BioInvent International AB, Board member and Chair of Audit Committee of Pharming Group NV., and Basilea Pharmaceutica Ltd. Director AI Global Investments (Netherlands).	Chair of the Board of Directors of Acticor Biotech and a Board member of Auris Medical and Amryt Pharma Plc.	Chair of the Board of Ossianix Inc. and is a member of the Board of ReNeuron Group plc, and Sareum Holdings plc.

[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 Pharma Board of Directors at February 27, 2024, continued

	Frederik Barfoed Beck	Anneline Nansen	Louise Gjelstrup	Jens Peter Stenvang
Position	Employee-elected board member	Employee-elected board member	Employee-elected board member	Employee-elected board member
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	Associate Director, Contracts and Sourcing	Principal Scientist	Principal Laboratory Technologist	Senior Application Specialist
Zealand shares at December 31, 2022	4,422	2,500	1,655	3,500
Zealand warrants at December 31, 2022	4,978	6,298	1,417	2,123
Zealand RSUs at December 31, 2022	2,100	2,375	1,750	1,750
Change in ownership in 2022	-1,316	+929	-575	-4,300

Zealand Pharma Board Observers at February 27, 2024

	Enrique Conterno	Elaine Sullivan
Position	Board Observer	Board Observer
Year of birth	1966	1961
Nationality	Peruvian/American	British/Irish
Gender	Male	Female
First elected	Stand for election to Board at AGM 2024	Stand for election to Board at AGM 2024
Committee	N/A	N/A
Independent	Yes	Yes
Special competencies	27 years at Eli Lilly and Company, including SVP and Member of the Executive Committee, President of Lilly USA, and President of Lilly Diabetes, as well as roles across sales, marketing, finance, and business development. Bachelor of Science in Mechanical Engineering from Case Western Reserve University and MBA from Duke University.	Served at both AstraZeneca and Eli Lilly and Company as member of senior global R&D management teams, including VP of Global External R&D at Eli Lilly and Company and VP and Head of New Opportunities at AstraZeneca. Co-founded and served as CEO of Carrick Therapeutics. PhD in Molecular Virology from the University of Edinburgh.
Current positions	Member of the Board of Directors of Glooko, inc. and Member of the Board of Governors of the American Red Cross.	Member of the Board of Directors of Nykode Therapeutics ASA, IP Group plc, and hVIVO Ltd, as well as Member of the Supervisory Board of Evotec AG.

Zealand Pharma Corporate Management at February 27, 2024

	Adam Steensberg	Henriette Wennicke	David Kendall	Ivan Møller
Position	**Executive Management** President and Chief Executive Officer	**Executive Management** Chief Financial Officer	Chief Medical Officer	Chief Operating Officer
Year of birth	1974	1983	1961	1972
Nationality	Danish	Danish	American	American/Danish
Gender	Male	Female	Male	Male
Joined Zealand	2010	2022	2020	2018
Experience	Adam has 20+ years of experience in both the private and public sectors, including: • Chief Medical Officer at Zealand Pharma • Medical Director at Novo Nordisk • Clinician at Rigshospitalet	Henriette has 15+ years of experience from global, publicly listed companies, including: • Vice President, Head of Investor Relations & Treasury at GN Store Nord • Vice President, Head of Global Finance at GN Hearing • Director, R&D Business Support at Novo Nordisk	David has 35+ years of experience in clinical diabetes, research, and Pharma, including: • Chief Medical Officer at MannKind Corporation • Vice President, Medical Affairs and Distinguished Medical Fellow at Eli Lilly and Company • Chief Scientific and Medical Officer for the American Diabetes Association • Chief of Clinical Services and Medical Director at the International Diabetes Center • Faculty at the University of Minnesota	Ivan has 25+ years of experience in Pharma and project management, including: • Executive Vice President, Technical Development & Operations at Zealand Pharma • Global Head, Operations Management at Novartis • Vice President, Global Head, External Supply Organization at Novartis • Project Leader at Boston Consulting Group • Head of Production, PolyPeptide Laboratories A/S
Other management positions	• Board Member at Cessatech ApS • Board Member of DANISH BIO - DANSK BIOTEK			

Zealand Pharma Corporate Management at February 27, 2024, continued

	Christina Sonnenborg Bredal	Ravinder Chahil
Position	Chief People Officer	General Counsel
Year of birth	1985	1968
Nationality	Danish	British
Gender	Female	Male
Joined Zealand	2020	2017
Experience	Christina has 10+ years of experience in various legal and advisory areas, including: • Senior Vice President, Head of People & Organization at Zealand Pharma • Manager at PwC Legal • Tax Manager and Senior Tax Consultant at EY People Advisory Services • Trial Lawyer at Martinelli Advokatfirma	Ravinder has 25+ years of international experience in law including: • Senior Vice President, General Counsel & Company Secretary at Zealand Pharma • Director of Intellectual Property at Polpharma • Director of Commercial Intellectual Property at Actavis Group hf • Senior Solicitor at Bird & Bird • Called to the Bar England & Wales November 1992

Corporate Management
Overview of shares, warrants, PSUs, RSUs and change in 2023

	Zealand shares at December 31, 2023	Zealand warrants at December 31, 2023	Zealand PSUs at December 31, 2023	Zealand RSUs at December 31, 2023	Change in ownership in 2023
Adam Steensberg	41,143	189,063	170,976	30,246	23,532
Henriette Wennicke	3,432	14,038	29,184	12,026	3,432
David Kendall	9,299	10,490	14,191	35,254	7,763
Ivan Møller	45,428	66,137	79,663	10,647	30,079
Christina Sonnenborg Bredal	6,734	31,761	33,469	4,260	6,192
Ravinder Chahil	7,327	34,261	32,344	6,470	7,327

Board of Directors
Overview of shares, warrants, RSUs and change in 2023

	Zealand shares at December 31, 2023	Zealand warrants at December 31, 2023	Zealand RSUs at December 31, 2023	Change in ownership in 2023
Martin Nicklasson	18,570	-	8,000	8,000
Kirsten A, Drejer	8,800	-	4,000	4,000
Jeffrey Berkowitz	8,200	-	4,000	4,000
Bernadette Connaughton	8,500	-	4,000	4,000
Leonard Kruimer	15,300	-	5,500	7,300
Alain Munoz	12,215	-	4,500	2,465
Michael John Owen	7,360	-	4,500	3,540

Internal controls and Risk management.

Zealand strives to conduct its operations in accordance with the highest ethical standards.

Zealand is a knowledge-intensive company, with a high focus on competency and personal development. The Management philosophy in Zealand is based on a high degree of trust in the company's employees. However, policies and operational processes are well described, with regular reporting and controls. Operations are performed mainly within the parent company Zealand Pharma A/S in Søborg, Denmark. All main research and development operations are based at the site in Søborg. The company maintains a small workforce at Zealand Pharma US Inc, the US subsidiary, located in Boston, Massachusetts. Some of the company's work is outsourced to various contract research, development, or manufacturing organizations.

Internal controls environment

Zealand has a number of internal control and risk management systems in place to ensure that its financial statements provide a true and fair view and comply IFRS Accounting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

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

Corporate Management is responsible for implementing policies and procedures on a day-to-day basis. The Board has established an Audit Committee to advise the Board on related matters.

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

There are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. An effective internal control environment may become inadequate in the future because of changes in conditions, or deterioration in the degree of compliance with the policies and procedures.

As of December 31, 2023, key risks and processes identified have been documented and internal controls have been designed and implemented in the organization. Internal controls have been subject to management testing and assessment to ensure that risks are addressed and managed in a responsible and efficient manner. Results have been formally reported to Management.

The Board has assessed that an internal audit function is not required at Zealand in view of the Company's legal structure and size.

Ravinder is General Counsel

Audit

Zealand's external auditors are appointed for a term of one year by the shareholders at the Annual General Meeting, based on the recommendation of the Board. Before such recommendation and in consultation with the Audit Committee and Executive Management, the Board assesses the independence, competencies and other matters pertaining to the auditors.

The framework for the auditors' duties, including their remuneration, audit, and non-audit tasks, is agreed between the Audit Committee and the auditors, and endorsed by the Board.

Description of management reporting systems and internal control systems

Management continually works on the design and effectiveness of its management reporting and internal control systems in order to enable it to monitor performance, strategy, operations, business environment, organization, procedures, funding, risk, and internal controls. While implementation is ongoing, Corporate Management is of the opinion that the reporting and internal controls are adequate to avoid material misstatements in the financial reporting.

In 2023, Zealand has implemented a new budget tool as well as a new Enterprise Resource Planning (ERP) system to further strengthen management reporting. A new electronic document management system has been launched in December 2023.

The management reporting and internal control systems include the following reports:

- Annual budget
- Quarterly reports, including budget revisions in March, June and September
- Financial performance and cash position
- Comparison of budgeted and actual performance
- Analysis of cash flows
- Project management and cost control, and regular project reporting and follow-up
- Summaries of project management key performance indicators
- Controls on purchase and maintenance of assets
- Review of potential claims and litigation
- Review and updating of contracts and collaboration agreements to ensure that all commitments and liabilities are recognized as well as all income to which Zealand is entitled

In addition to the above-mentioned reports, the internal control system includes a number of detailed policies and procedures, including:

- Treasury policy guiding investment of liquid assets
- Schedule of authorization guiding the sign-off of expenses and investments
- Employee manual providing guidance on policies, rules and procedures associated with employment at Zealand

Zealand also undertakes controls to ensure the completeness and accuracy of accounting records. Such controls are prepared, reviewed, tested and documented in an online controls tool.

Zealand's Management considers that the above high-level and detailed controls contribute to more effective financial reporting procedures.

Control environment/accounting
Incoming invoices are approved electronically. An approval hierarchy ensures that invoices are approved by the appropriate persons in accordance with Zealand's Schedule of Authorization. Payment proposals are approved through online banking and require two staff members to complete the transaction. No changes to vendors' banking details can be performed without approval.

Risk assessment
As part of the risk assessment process, a review and prioritization of key risks and material accounting items has been performed. These risks have been analyzed with relevant controls described.

The areas deemed to have a moderate to high-risk profile are:

- Revenue recognition and share-based compensation, which involve a degree of judgment and estimation with a risk profile assessed to be moderate
- Counterparty risk for liquid assets
- Risk of fraud

It is Management's view that the current controls are adequately reducing the risk of significant errors in the financial statements.

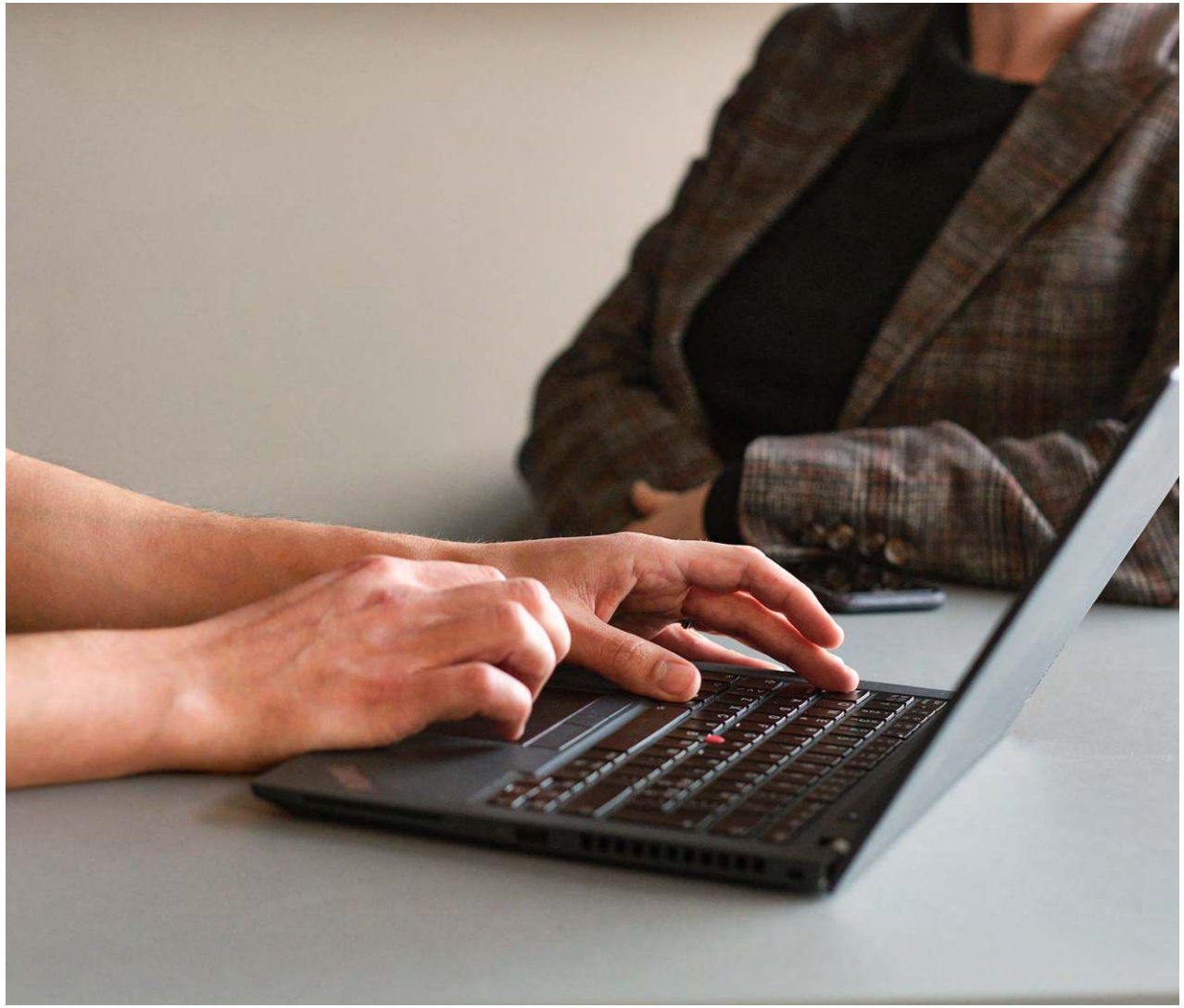
The end-of-period process
In addition to controls of individual accounting items, it is important to maintain a high level of control over the different steps involved in transforming raw accounting data into final quarterly or annual reports.

The quarterly and year-end processes involve detailed documentation of each balance sheet item as well as documentation supporting all notes to the accounts.

Management reviews the accounting policies used and assesses the need for any new accounting policies. Any items where estimates and/or judgements influence the accounts are discussed with the Audit Committee and are described in note 1.3 in the Annual Report.

IT

In addition to the controls performed by Management, Zealand's IT department has policies in place covering data governance, use of IT, and information security. IT is leveraging an external Security Operation Center (SOC) provider for Monitoring Detection Response (MDR) and Incident Response (IR). An employee cyber security training program is also implemented. IT will continue investing in infrastructure and network hardening.



Risk and risk mitigation.

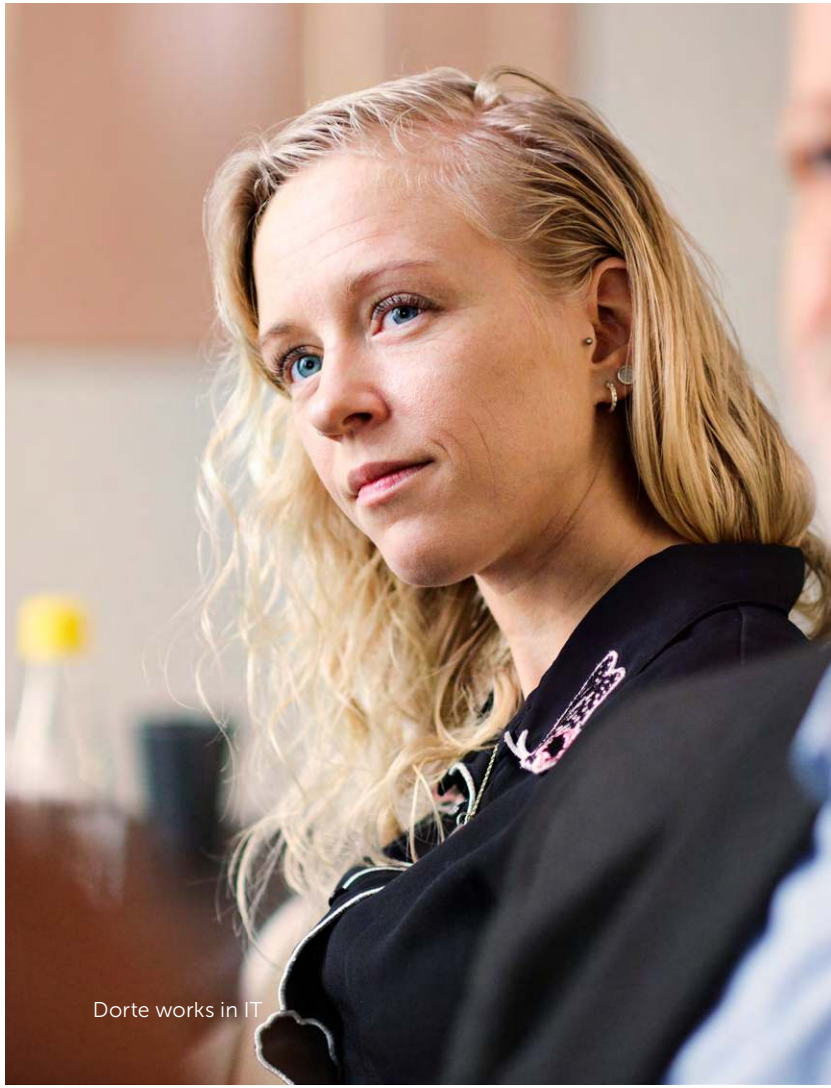
We constantly monitor and assess the overall risk of doing business in the drug development industry and the particular risks associated with our current activities and corporate profile.

Zealand's Corporate 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 Zealand's business and operations. Furthermore, Zealand's Corporate Management seeks to ensure that such risks are managed optimally and in a responsible and efficient manner.

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

Risks of particular importance to Zealand are scientific and development risks, commercial risks, intellectual property risks, clinical trial risks, regulatory risks, partner interest risks, financial risks, and risks relating to financial reporting. Risk and mitigation plans are monitored by Corporate Management, and the continuous risk assessment is an integral part of the yearly reporting to the Board. In addition to these, each project team has a risk identification and mitigation assessment using a standard internal matrix that is used across the company. This is used by each project team to ensure that there is a consistent approach to risk and that appropriate risks are identified. This is updated during the lifetime of any project.

Below we have summarized Zealand's key risk areas and how we attempt to address and mitigate such risks.



Dorte works in IT

Zealand risk and mitigation

	Product pipeline	Partnerships	Workforce and management	Finance and macroeconomics
Risk	Research and development activities for new pharmaceutical product candidates are costly and require lengthy clinical trials, which by nature are uncertain and associated with high risk of failure. Adverse events in clinical trials or failure to satisfactorily demonstrate safety and efficacy of product candidates to regulatory authorities could lead to delays in completing clinical trials, additional costs to Zealand, or ultimately failure to progress the product candidates towards market.	Zealand has a business model that is dependent on partnerships in development, manufacturing, and commercialization. Quality or supply issues at key third-party manufacturers may lead to regulatory delays or impact clinical or commercial supply. Failure to secure or manage future commercialization partnerships may result in loss of product value and negatively impact access for patients.	Zealand's ability to attract and retain highly skilled and talented employees is key to our success and future growth. Loss of key employees may lead to delays in the development of Zealand's product candidates, loss of important know-how, and impact on the company's culture.	Exposure to macroeconomic risks relate to interest rates as well as volatility and instability in the financial markets which could potentially lead to Zealand's inability to secure financing.
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 and receive training on a continuous basis to develop and fulfil requirements. We also engage in meetings with regulatory authorities to ensure that there is alignment on the regulatory strategy and trial requirements.	Suppliers are regularly audited to ensure proper quality. To maximize the value of all partnerships, we strive to foster a close and open dialogue with our partners, thereby building strong partnerships that work effectively.	Zealand strives to be an enriching, inspiring and great place to work. Throughout our 25-year history, we have built a unique company culture. Engagement surveys show high engagement (8.8/10) and a high sense of purpose for all employees. Peer and pay reviews are performed regularly and we invest in training, development, and active culture management to ensure a continued good working environment.	Zealand's current cash runway into 2027 makes us less vulnerable to financial instability. As stipulated in our treasury policy, we work diligently to secure a healthy balance sheet by managing our cash, investments, and debt while also hedging our exposure to, for example, exchange rate risk.

Zealand risk and mitigation – continued

	IT security	Climate and geopolitical environment	Legal, patent and compliance risk	Regulatory environment
Risk	Cyberattacks may lead to theft or leakage of patient data, personal employee data, intellectual property, and confidential business data, potentially impacting Zealand's operations and reputation, resulting in fines from authorities or financial losses.	Climate or geopolitical events may impact Zealand's or a partner's business operations due to supply issues. Trial recruitment could be delayed due to geopolitical issues or global health crises as seen during the COVID-19 pandemic. Increased regulatory requirements and public sentiment will require Zealand to manage our carbon footprint. Inability to do so could lead to compliance issues and investor dissatisfaction.	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 our products or product candidates. This could lead us or our partners to curtail or cease the development of some or all of their drug product candidates or cause our partners to seek legal or contractual remedies against us, potentially involving a reduction in the royalties due to us.	The regulatory approval processes of the US Food and Drug Administration (US FDA), the European Medicines Agency (EMA), and other regulatory authorities can be lengthy and inherently unpredictable. 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	We employ qualified IT professionals, including dedicated specialists, who use external assistance from qualified vendors to provide advice on cybersecurity and systems security where 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.	Zealand's direct environmental footprint is considered relatively low, mainly due to the outsourcing of investigational medicinal product to third-party manufacturers. When selecting and evaluating contract manufacturing organizations, we have included environmental criteria as part of our Supplier Code of Conduct to ensure standards are met and climate footprint is minimized. We have launched an ESG strategy with a commitment to calculate our CO_2 baseline and set proper decarbonization targets going forward.	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 defense should this be necessary. Our employees receive training and updates on policies regarding the correct and lawful management of internal and external intellectual property.	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.

Shareholder information.

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

Core share data

	Denmark
Number of shares at Dec. 31, 2023	58,751,152
Listing	Nasdaq Copenhagen
Ticker symbol	ZEAL
Index memberships	OMXCopenhagen25 STOXX Europe 600

At December 31, 2023, the nominal value of our share capital was DKK 58,751,152, divided into 58,751,152 shares with a nominal value of DKK 1 each.

In 2023, the share capital increased by a nominal value of DKK 7.0 million driven by one directed issue and private placement (DKK 6.6 million) and exercise of employee warrants (DKK 0.5 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.

Find more and contact Investor Relations at
zealandpharma.com/investor-relations

Change in number of shareholders during 2023

The number of registered shareholders in Zealand Pharma increased to 36,798 at December 31, 2023, from 24,283 at December 31, 2022.

Ownership

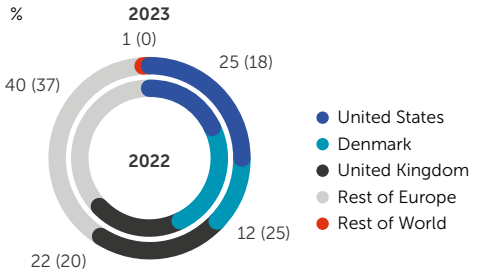
The following shareholders are registered in Zealand Pharma's register of shareholders as being the owners of a minimum of 5% of the voting rights or a minimum of 5% of the share capital (one share equals one vote) at February 27, 2024:

- Van Herk Investments, Netherlands (9.97% of votes/9.97% of capital)
- Polar Capital LLP, United Kingdom (9.62% of votes/9.62% of capital)
- Avoro Capital Advisors LLC, United States (5.5% of votes/5.5% of capital)

Share price performance

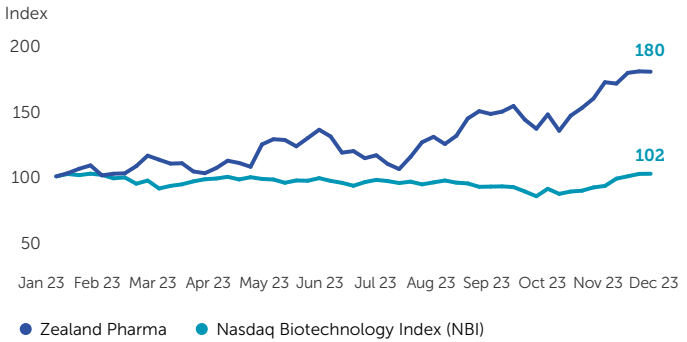
The price of Zealand's shares increased by 85.3% during 2023 with a market closing share price at year-end of DKK 373.2, compared to DKK 201.4 at year-end 2022.

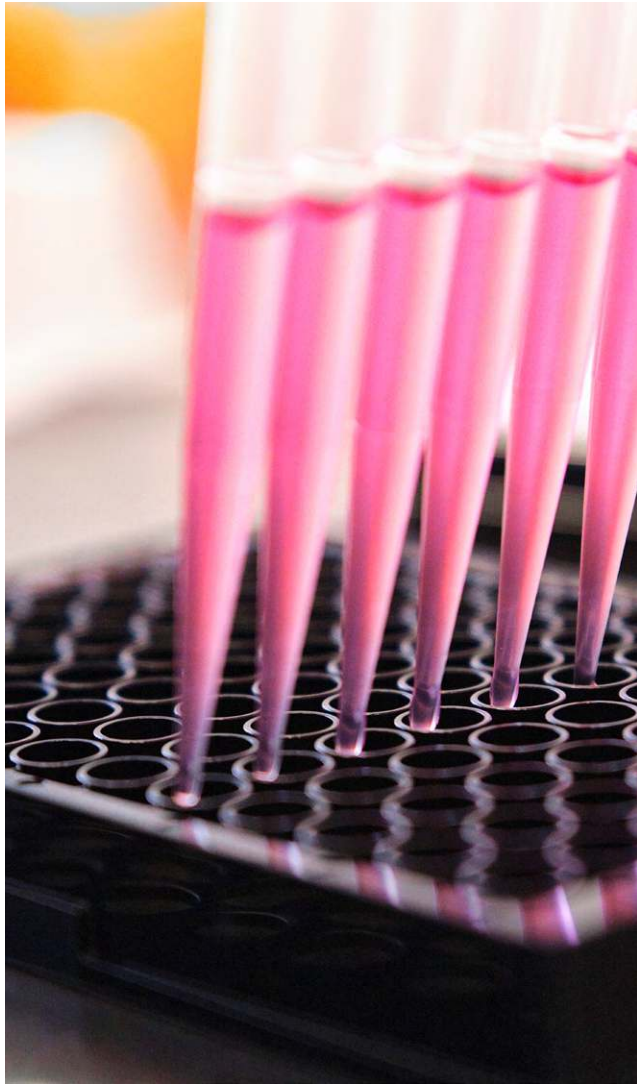
Institutional shareholders by geography



Based on Nasdaq Corporate Solutions aggregated data per December 2023 and October 2022.

Share price performance in 2023





Annual General Meeting

The annual general meeting is scheduled to be held electronically and in-person on Wednesday, March 20, 2024 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 2024

Date	Event
March 20	Annual General Meeting
May 16	Q1 Earnings Release / Interim Report First Quarter 2024
August 15	H1 Earnings Release / Interim Report First Half 2024
November 7	Q3 Earnings Release / Interim Report Third Quarter 2024

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
Carnegie	Jesper Ilsøe
Danske Bank	Thomas Bowers
Goldman Sachs	Rajan Sharma
Jefferies	Lucy Codrington
Kempen	Suzanne van Voorthuizen
Morgan Stanley	Charlie Mabbutt
Nordea	Michael Novod
SEB	Neshat Ahmadi

Annex: Recommendations on Corporate Governance.

For the financial year of 2023, Zealand is subject to the Recommendations for Good Corporate Governance from 2 December 2020, which are available on the Committee on Corporate Governance's website https://corporategovernance.dk/.

The following table indicates whether Zealand complies with the recommendations of the Committee on Corporate Governance. In line with the 'comply or explain' principle, Zealand has provided explanations if recommendations are not fully complied with.

Zealand complies with the Recommendations on Corporate Governance in all material respects, with notes on those areas where it 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.

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.

This corporate governance statement has been approved by the Board of Directors on

February 26, 2023

Find out more about Zealand at
zealandpharma.com/corporate-governance/

✔ Complies

✘ Not compliant

Recommendation	The company complies	The company explains[1]	
		Why	*How*
1. Interaction with the company's shareholders, investors and other stakeholders			
1.1. Communication with the company's shareholders, investors and other stakeholders			
1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.	✔		
1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.	✔	Given the size of Zealand a formal policy is not felt to be required.	Zealand has regular contact with its key investors and shareholder representatives to ensure alignment. As the company grows further consideration will be given to a formal policy on engagement.
1.1.3. The Committee recommends that the company publishes quarterly reports.	✔		
1.2. The general meeting			
1.2.1. The Committee recommends that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.	✔		
1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	✔		
1.3. Takeover bids			
1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
1.4. Corporate Social Responsibility			
1.4.1. The Committee recommends that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy.	✔		
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. The duties and responsibilities of the board of directors			
2.1. Overall tasks and responsibilities			
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.	✔	The company has a formal staff engagement survey that is provided to the Board every year.	The company will work with advisors to work on additional areas to develop this new requirement.
2.1.2. The Committee recommends that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	✔		
2.1.3. The Committee recommends that the board of directors on a continuous basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	✔		
2.1.4. The Committee recommends that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.	✔		
2.2. Members of the board of directors			
2.2.1. The Committee recommends that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	✔		
2.2.3. The Committee recommends that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.	✔		
3. The composition, organisation and evaluation of the board of directors			
3.1. Composition			
3.1.1. The Committee recommends that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors.	✔		
3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company's activities in order 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 Board is attentive to the issue of diversity and regards this as an area of focus next year	In 2024, we plan to formalize and communicate our diversity and inclusion policy.
3.1.3. The Committee recommends that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates' • qualifications, • other managerial duties in commercial undertakings, including board committees, • demanding organisational assignments and • independence.	✔		
3.1.5. The Committee recommends that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.	✔		
3.2. The board of director's independence			
3.2.1. The Committee recommends that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests. In order to be independent, the member in question may not: • be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company, • within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship, • be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting, • be a CEO in a company with cross-memberships in the company's management, • have been a member of the board of directors for more than twelve years, or • be closely related to persons, who are not independent, cf. the above-stated criteria. Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.	✔		
3.2.2. The Committee recommends that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
3.3. Members of the board of directors and the number of other managerial duties			
3.3.1. The Committee recommends that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.	✔		
3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors: • position, age and gender, • competencies and qualifications relevant to the company, • independence, • year of joining the board of directors, • year of expiry of the current election period, • participation in meetings of the board of directors and committee meetings, • managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and • the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.	✔		
3.4. Board committees			
3.4.1. The Committee recommends that that the management describes in the management commentary: • the board committees' most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. In addition, it is recommended that the board committees' terms of reference are published on the company's website.	✔		
3.4.2. The Committee recommends that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in: • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audit, • performing the evaluation of the auditor elected by the general meeting, • reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present. If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must: • prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department, • ensure that the internal audit function has sufficient resources and competencies to perform its role, and • supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
3.4.4. The Committee recommends that the board of directors establishes a nomination committee to perform at least the following preparatory tasks: • describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies, • on an annual basis evaluating the board of directors and the executive management's structure, size, composition and results and preparing recommendations for the board of directors for any changes, • in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the board of directors, • handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval, • ensuring that a succession plan for the executive management is in place, • supervising executive managements' policy for the engagement of executive employees, and • supervising the preparation of a diversity policy for the board of directors' approval.	✔		
3.4.5. The Committee recommends that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks: • preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting, • providing a proposal to the board of directors on the remuneration of the members of the executive management, • providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting, • ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and • assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
3.5. Evaluation of the board of directors and the executive management			
3.5.1. The Committee recommends that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics: • the composition of the board of directors with focus on competencies and diversity • the board of directors and the individual member's contribution and results, • the cooperation on the board of directors and between the board of directors and the executive management, • the chairperson's leadership of the board of directors, • the committee structure and the work in the committees, • the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and • the board members' preparation for and active participation in the meetings of the board of directors.	✔		
3.5.2. The Committee recommends that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.	✔		
3.5.3. The Committee recommends that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
4. Remuneration of management			
4.1. Remuneration of the board of directors and the executive management			
4.1.1. The Committee recommends that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.	✔		
4.1.2. The Committee recommends that share-based incentive schemes are evolving, i.e., that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	✔		
4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	✔		
4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.	✔		
4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.	✔	Members of the Board have chosen to forgo some of their cash based renumeration and receive restricted stock units (RSUs) rather than the cash. The cash based renumeration was therefore reduced and substituted with RSUs to a fixed amount dependent on the Board members position and committee involvement.	This system of renumeration ensures that the members of the Board are working in the shareholders interest and increasing shareholder value.
4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.	✔		

Recommendation	The company complies	The company explains[1]	
		Why	*How*
5. Risk management			
5.1. Identification of risks and openness in respect of additional information			
5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.	✔		
5.1.2. The Committee recommends that the board of directors establishes a whistle-blower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.	✔		

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Consolidated financial statements.

Consolidated statement of loss for the years ended December 31, 2023 and 2022

DKK thousand	Note	2023	2022
Revenue	2.1	342,788	103,986
Royalty expenses	2.3	-9,138	-
Cost of goods sold	2.4	-10,036	-
Gross profit		**323,614**	**103,986**
Research and development expenses	2.5	-684,902	-614,044
Sales and marketing expenses	2.6	-30,627	-32,298
General and administrative expenses	2.7	-185,302	-237,210
Other operating income	2.9	15,979	-
Other operating expenses	2.9	-11,000	-57,587
Net operating expenses		**-895,852**	**-941,139**
Operating result		**-572,238**	**-837,153**
Financial income	4.7	54,115	133,270
Financial expenses	4.7	-190,742	-268,158
Result before tax		**-708,865**	**-972,041**
Corporate tax	5.1	5,126	6,431
Net result for the year from continuing operations		**-703,739**	**-965,610**
Net result for the year from discontinued operations	2.10	-	-236,525
Net result for the year		**-703,739**	**-1,202,135**
Loss per share from continuing operations, basic/diluted (DKK)	2.11	-12.44	-20.90
Loss per share from discontinued operations, basic/diluted (DKK)	2.11	-	-5.12
Loss per share, basic/diluted (DKK)	2.11	-12.44	-26.02

Consolidated statement of comprehensive loss for the years ended December 31, 2023 and 2022

DKK thousand	Note	2023	2022
Net result for the year		-703,739	-1,202,135
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		8,087	462
Total comprehensive result for the year		**-695,652**	**-1,201,673**

Consolidated financial statements.

Consolidated statement of financial position as of December 31, 2023 and 2022

DKK thousand	Note	2023	2022
Assets			
Intangible assets	3.1	12,255	-
Property, plant and equipment	3.2	47,047	50,528
Right-of-use assets	3.3	102,805	114,960
Other investments	3.4	14,004	30,943
Deferred tax assets	5.1	925	2,017
Other receivables	3.6	15,794	18,105
Other financial assets	3.7	7,375	6,901
Total non-current assets		**200,205**	**223,454**
Inventory	3.5	7,935	1,286
Trade and other receivables	3.6	122,359	115,622
Corporate tax receivable	5.1	16,437	21,599
Marketable securities	4.5	1,183,746	108,611
Cash and cash equivalents (subject to certain conditions)	4.4	-	348,608
Cash and cash equivalents	4.4	449,311	720,626
Total current assets		**1,779,788**	**1,316,352**
Total assets		**1,979,993**	**1,539,806**

DKK thousand	Note	2023	2022
Share capital	4.8	58,751	51,702
Share premium		6,406,225	4,921,232
Currency translation reserve		22,704	14,617
Retained losses		-4,894,841	-4,171,640
Total shareholders' equity		**1,592,839**	**815,911**
Other payables	3.8	-	19,058
Borrowings including embedded derivatives	4.6	-	401,346
Lease liabilities	3.3	102,575	108,000
Total non-current liabilities		**102,575**	**528,404**
Lease liabilities	3.3	16,655	14,729
Trade and other payables	3.8	267,924	180,762
Total current liabilities		**284,579**	**195,491**
Total liabilities		**387,154**	**723,895**
Total shareholders' equity and liabilities		**1,979,993**	**1,539,806**

Consolidated financial statements.

Consolidated statement of cash flows for the years ended December 31, 2023 and 2022

DKK thousand	Note	2023	2022
Net result for the year		-703,739	-1,202,135
Adjustment for other non-cash items	6.6	202,033	269,332
Changes in working capital	6.6	52,103	10,161
Financial income received		37,887	5,178
Financial expenses paid		-25,252	-34,124
Corporate taxes received		11,300	9,277
Cash flow used in operating activities		**-425,668**	**-942,311**
Proceeds from sale of marketable securites		1,089,547	887,060
Purchase of marketable securities		-2,159,831	-700,477
Purchase of intangible assets		-12,508	-
Purchase of property, plant and equipment		-11,241	-11,710
Divestment of activities	2.10	-	106,386
Cash flow from/(used in) investing activities		**-1,094,033**	**281,259**
Repayment of borrowings	4.6	-525,764	-436,088
Lease installments	3.3	-17,664	-13,719
Proceeds from issuance of shares		1,500,000	1,052,757
Purchase of treasury shares	4.8	-41,600	-
Proceeds from issuance of shares related to exercise of share-based compensation		63,950	31,904
Costs related to issuance of shares		-71,908	-47,354
Cash flow from financing activities		**907,014**	**587,500**
Decrease in cash and cash equivalents		-612,686	-73,552
Cash and cash equivalents at beginning of year		1,069,234	1,129,103
Exchange rate adjustments		-7,237	13,683
Cash and cash equivalents at end of year		**449,311**	**1,069,234**

Consolidated statement of changes in shareholders' equity at December 31, 2023 and 2022

DKK thousand	Share capital	*Share premium	Currency translation reserve	*Retained losses	Total
Equity at January 1, 2023	**51,702**	**4,921,232**	**14,617**	**-4,171,640**	**815,911**
Other comprehensive income for the year	-	-	8,087	-	8,087
Net result for the year	-	-	-	-703,739	-703,739
Purchase of treasury shares	-	-	-	-81,045	-81,045
Net settlement of PSUs	-	-	-	66	66
Net settlement of RSUs	-	-	-	91	91
Exercise of warrants	470	63,480	-	-	63,950
Share-based compensation expenses	-	-	-	61,426	61,426
Capital increases	6,579	1,493,421	-	-	1,500,000
Costs related to capital increases	-	-71,908	-	-	-71,908
Equity at December 31, 2023	**58,751**	**6,406,225**	**22,704**	**-4,894,841**	**1,592,839**
Equity at January 1, 2022	**43,634**	**3,891,993**	**14,155**	**-3,021,979**	**927,803**
Other comprehensive income for the year	-	-	462	-	462
Net result for the year	-	-	-	-1,202,135	-1,202,135
Net settlement of PSUs	-	-	-	72	72
Net settlement of RSUs	-	-	-	116	116
Exercise of warrants	201	31,703	-	-	31,904
Share-based compensation expenses	-	-	-	52,286	52,286
Capital increases	7,867	1,044,890	-	-	1,052,757
Costs related to capital increases	-	-47,354	-	-	-47,354
Equity at December 31, 2022	**51,702**	**4,921,232**	**14,617**	**-4,171,640**	**815,911**

* Other reserves of DKK 749.6 million from the 2022 Annual Report have been split into Share premium and Retained losses to ease readability of movements in shareholders' equity.

Consolidated financial statements.

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1.0. Basis of preparation

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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 material financial accounting policies including Management's judgements and estimates. 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.

Accounting policies

The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act (class D). The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 26, 2024. Except as outlined in note 1.2 New accounting policies and disclosures, the financial statements have been prepared using the same accounting policies as in previous years.

Zealand describes material accounting policy information in conjunction with each note with the aim to provide a more understandable description of each accounting area.

IAS 1 Presentation of Financial Statements - Disclosure of Accounting policies

The amendments to IAS 1 replace the requirement to disclose significant accounting policies with a requirement to disclose material accounting policy information. Zealand has adapted the amended standard for the annual report for the financial year January 1 - December 31, 2023. As an effect Zealand only discloses accounting policies if:

- A choice of accounting policy is permitted by the IFRS accounting standard,
- It is needed to provide context for a change of accounting policy that had a material effect on the information in the financial statements,
- It is needed to provide context to significant judgements and estimates,
- The required accounting (recognition, measurement, presentation, disclosure) is complex and users would otherwise not understand the material transaction, event, or condition, or
- There are other qualitative factors that make the accounting policy information material.

Notes to the Consolidated financial statements.

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

The adoption of the above mentioned amendments did not have a material impact on the financial statements as of December 31, 2023.

Going concern assessment

The Company's 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 through 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 may raise additional funds through either public financing, debt financing, collaboration agreements, strategic alliances and licensing arrangements, or a combination of such.

Management's judgement and assessment of the Company's 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, undrawn borrowing facilities and financing opportunities.

Management expects that the Company's cash and cash equivalents as of December 31, 2023, will be sufficient to fund the Company's research and development activities as planned and capital requirements for at least 12 months from the December 31, 2023 balance sheet date. Following the capital increase in January 2024 the Group received gross proceeds of DKK 1.45 billion.

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

Nature of the Business

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

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

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

Notes to the Consolidated financial statements.

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

items are individually immaterial, they are aggregated with other items of similar nature in the financial statements or in the notes.

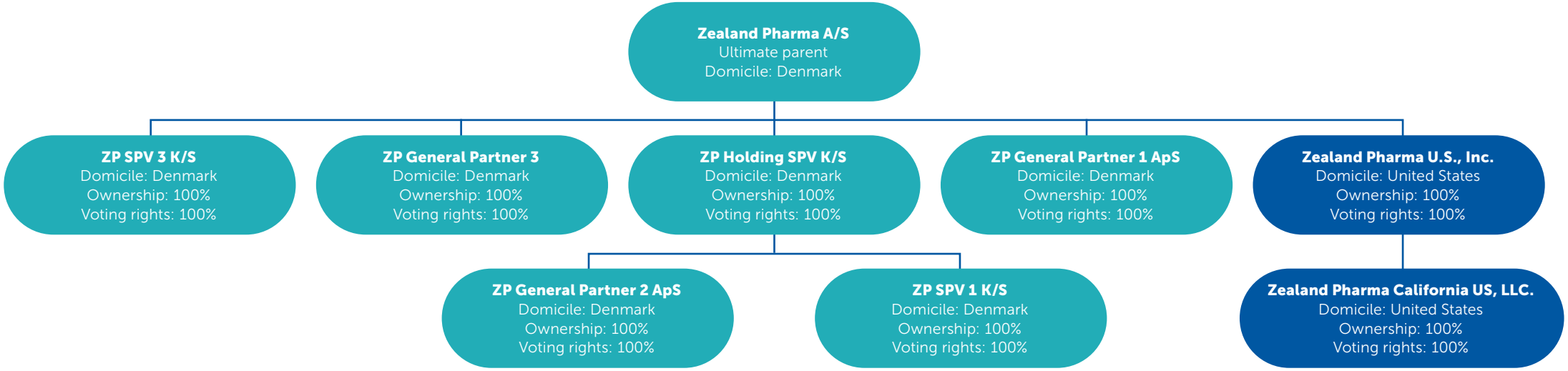
Consolidated Financial Statements
The consolidated financial statements include Zealand A/S and subsidiaries over which the parent company has control. The parent controls a subsidiary when the parent is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the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

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



Notes to the Consolidated financial statements.

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

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.

Cash flows from operating activities are stated as the net result for the year 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 consolidated financial statements.

ESEF and iXBRL reporting

Zealand Pharma is required to file its annual report in ESEF format, and the annual report is therefore prepared 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. 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 549300ITBB1ULBL4CZ12-2023-12-31-en.zip

Notes to the Consolidated financial statements.

1.2 New accounting policies and disclosures

Implementation of new and revised standards and interpretations

Zealand has, with effect from January 1, 2023, applied and implemented the following new standards and amendments, which are relevant for Zealand:

- Amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 (PS2) Making Materiality Judgements.
- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Error relating to the definition of Accounting Estimates
- Amendments to IAS 12 Income taxes relating to (i) deferred tax related to assets and liabilities arising from a single transaction and (ii) the International Tax Reform – Pillar Two Model Rules

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

Standards and interpretations not yet effective

The IASB has issued a number of new standards and updated some existing standards, which are effective for accounting periods beginning on January 1, 2024, 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.

New accounting policy for software

In 2023, Zealand has adopted a new accounting policy on capitalization of implementation costs on IT projects due to a new type of transactions. On initial recognition they are measured at cost and include configuration and customization of the underlying software, including training and testing. Refer to note 3.1 Intangible assets for additional information.

1.3 Management's judgements and estimates under IFRS

In preparing consolidated 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 at the end of the reporting period have a significant risk of resulting in material adjustment to the carrying amount of assets and liabilities within the next financial year are summarized below. Refer to the identified notes for further information on the key accounting estimates and judgements utilized in the preparation of these consolidated financial statements.

Climate change

In preparing the consolidated financial statements, Management has considered the impact of climate change, particularly in the context of the Group's sustainability targets. Zealand Pharma targets to minimize and mitigate the climate impact by continuously evaluating and implementing initiatives that can reduce any negative impact on the environment from the Group's operations. These considerations did not have a material impact on Management's judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's future cash flows, the carrying amount of non-current assets, or going concern assessment.

Notes to the Consolidated financial statements.

1.3 Management's judgements and estimates under IFRS (continued)

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 determining assumptions required for valuation of warrant grants	4.9	Moderate
	Estimate of instruments expected to vest		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 cashflow and capital requirements for the forthcoming 12 months from the balance sheet date	1.1	Low
Discontinued operations	Judgements 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®	2.10	Moderate
Accrual of costs for clinical contracts	Estimate on allocation of total contract costs between start-up, patient treatment and wrap-up phases for clinical trials including estimate of value for expected change orders.	2.5	Low
Right-of-use assets	Estimate in assessing the recoverable amount under the finance lease agreement for the US Boston office	3.3	Low

2.0. Results for the year

This section includes disclosures related to the consolidated statement of loss. A detailed description of the results for the year is provided in the Financial Review section in the Management's Review.

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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.

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

Notes to the Consolidated financial statements.

2.1 Revenue (continued)

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.

Royalties

Some 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 passthrough 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 is controlled by the Company before that good or service is transferred to the customer.

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.

Management's 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.*

Notes to the Consolidated financial statements.

2.1 Revenue (continued)

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

DKK thousand	2023	2022
Alexion Pharmaceuticals Inc.	4,094	69,027
Boehringer Ingelheim International GmbH	223,725	-
Novo Nordisk A/S	34,149	34,959
Sanofi-Aventis Deutschland GmbH	70,784	-
Total revenue from license and collaboration agreements	**332,752**	**103,986**
Gross product sales	10,036	164,651
Sales rebates	-	-69,526
Returns and sales reductions	-	-7,513
- Hereof related to discontinued operations	-	-87,612
Sale of goods revenue from continuing operations	10,036	-
Total revenue from continuing operations	**342,788**	**103,986**
Total revenue recognized over time	38,244	76,181
Total revenue recognized at a point in time from continuing operations	304,544	27,805
Total revenue recognized at a point in time from discontinued operations	-	87,612
Milestone revenue	294,509	27,805
Royalty revenue	841	-
Reimbursement revenue for R&D services	37,402	76,181
Product sales	10,036	-
Total revenue by revenue stream from continuing operations	**342,788**	**103,986**
Product sales	-	87,612
Total revenue by revenue stream from discontinued operations	**-**	**87,612**

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 agreement is described further in note 6.7 Collaborations and technology licenses.

Under the Alexion license, research and development agreement, Zealand has received an upfront non-refundable payment of USD 25 million for the Complement C3 program and a concurrent USD 15 million equity investment in Zealand at a premium to the market price. These payments have been received and recognized in revenue in prior years.

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 digit to low double digit royalty payments. Zealand is furthermore eligible to receive non-refundable upfront payments of USD 15 million each for up to three additional targets, with 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 are 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.

The remaining deferred revenue was recognized in December 2022. In 2023, the revenue of DKK 4.1 million under the Alexion agreement solely relates to compensation on a time and material basis for R&D services.

Boehringer Ingelheim International GmbH agreement

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, Boehringer obtained global development and commercialization rights to the lead drug candidate, survodutide. Boehringer funds all research, development, and commercialization activities under the agreement.

Notes to the Consolidated financial statements.

2.1 Revenue (continued)

Under the agreement, Zealand is eligible to receive a EUR 30 million milestone payment on initiation of Phase 3 clinical trials for survodutide. In November 2023, Boehringer initiated the Phase 3 program with survodutide in patients living with obesity or overweight (SYNCHRONIZE™) that consists of three global clinical trials, which triggered the milestone payment. 85% of the payment was received in December 2023 with 15% withholding taxes that will be paid out upon approval of Zealand's WHT exemption application. For further information about potential future milestone payments refer to note 6.7 Collaborations and technology licenses.

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® (completed in 2022)
2. Delivery of transitional services
3. Delivery of R&D services
4. Submission of EU marketing authorization application (completed in 2023)
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 the delivery of the license for 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 to 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 the delivery of the license for Zegalogue® was estimated using the residual approach. The allocation of the transaction price to the performance obligations not compensated on a time and material basis is summarized below:

1. Delivery of license for Zegalogue®: DKK 28 million (completed in 2022)
4. Submission of EU marketing authorization application: DKK 13 million (completed in 2023)
5. Delivery of specified development activities: DKK 14 million (ongoing)

The performance obligations related to the delivery of the license for Zegalogue® were completed at a point in time (September 2022) and revenue of DKK 28 million was recognized in 2022. The submission of EU marketing authorization application has been recognized over a period of time (completed in June 2023). The revenue of DKK 13 million has been recognized with DKK 3 million in 2022 and DKK 10 million in 2023 respectively.

The delivery of specified development activities are recognized 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 delivery of specified development activities are performed by an indeterminate number of acts over the development timeline. Revenue from delivery of the specified development activities has been recognized with DKK 2 million in 2022 and DKK 6 million in 2023 respectively, resulting in a remaining obligation as of December 31, 2023, of DKK 6 million.

Sanofi-Aventis Deutschland GmbH agreement

In 2023, USD 10 million in milestone payments associated with lixisenatide were received from Sanofi. Out of the USD 10 million from Sanofi, Zealand will pay USD 1.3 million in royalty expenses to Alkermes in line with a termination agreement following the dissolution of a former joint venture with Elan Corporation (now Alkermes), stipulating that Alkermes is entitled to 13% of payments received by Zealand in respect to lixisenatide under the Sanofi License Agreement. As of December 31, 2023, there are no other outstanding milestone payments associated with the license agreement with Sanofi. All royalties related to lixisenatide were sold to Royalty Pharma in 2018.

Notes to the Consolidated financial statements.

2.2 Information about geographic areas

(DKK thousand)	Revenue 2023	Non-current assets 2023	Revenue 2022	Non-current assets 2022
Denmark	44,185	136,819	34,959	143,740
United States	4,094	13,033	69,027	21,748
Germany	294,509	-	-	-
Total continuing operations	**342,788**	**149,851**	**103,986**	**165,488**
United States	-	-	87,612	-
Total discontinued operations	**-**	**-**	**87,612**	**-**

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.

The development compared to the prior year is a result of the completed restructuring announced in March 2022 closing all commercial activities in the US to pursue partnerships on Zealand's late-stage clinical portfolio, including delisting from the Nasdaq Global Select Market in the U.S.

2.3 Royalty expenses

§ Accounting policies

Royalty expenses comprise contractual amounts payable to third parties that are derived from milestone payments. Royalty expenses are recognized in the income statement when the related payments and milestone events in the corresponding collaboration agreements materialize.

Royalty expense associated with lixisenatide under the Sanofi License Agreement
We have agreed to pay some of our revenue in deferred payments or royalties to third parties. At the time of the dissolution of a former joint venture with Elan Corporation, plc (Elan) and certain of its subsidiaries that were party to the joint venture agreement with us, we agreed to pay royalties to Elan – now Alkermes plc, as successor in interest to a termination agreement between us and the Elan entities - including 13% of future payments we receive in respect of lixisenatide under the Sanofi License Agreement. In addition, we have agreed to pay a royalty of 0.5% of the total amounts we receive in connection with our SIP-modified peptides, including lixisenatide, to one of the inventors of our SIP technology, who is one of our employees. The royalty to be paid to this inventor is calculated on the basis of all the amounts we receive, including license payments, milestone payments and sales. In 2023 royalty expenses of DKK 9.1 million relate to the mentioned inventor (2022: DKK 0 million).

2.4 Cost of goods sold

Costs of goods sold in 2023 of DKK 10.0 million (2022: DKK 0 million) relates to inventory utilized in the production under the supply agreement with Novo Nordisk A/S. The inventory was measured at net realizable value which equals the agreed selling price with Novo Nordisk A/S. Therefore, an equivalent revenue from sale of goods of DKK 10.0 million has been recognized, thus resulting in neutral effect on gross profit. The offsetting DKK 10.0 million in product sales is included in revenue, refer to note 2.1 Revenue.

Notes to the Consolidated financial statements.

2.5 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.

Management's judgements and estimates

Treatment of research and development expenses

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 Intangible assets for a more detailed description on the treatment of Zealand's development expenses related to internal development projects.

Accrual of costs for clinical contracts

Management estimates expenses to be recognized from Contract Research Organizations (CROs) based on an estimate on allocation of total contract costs between start-up, patient treatment and wrap-up phases for clinical trials including an estimate of treatment cost per patient and value of expected change orders.

Total contract costs are allocated to each phase using the below split for all Zealand's CRO contracts based on previous experiences:

- *Service fee: Start-up (20%), Patient treatment (75%), Wrap-up (5%)*
- *Pass through: Start-up (5%), Patient treatment (90%), Wrap-up (5%)*

CRO contracts are recognized over the contract period based on an estimate of the contract's cost driving element which could be either i) patients or ii) time. If the primary goal of the study is to get a certain number of patients through the study, then patients is used as the cost driving element. Time is used if the study runs through a certain timeline regardless of how many patients that are enrolled.

At the end of each reporting period, Management estimates any expected change orders, which are recognized up front with an amount corresponding to the completion rate of the contract (patients or time). The remaining change order amount will be recognized over the remaining contract period.

DKK thousand	2023	2022
Staff costs (note 2.8)	-256,310	-233,474
Amortization, depreciation, impairment losses on intangible assets, property plant and equipment, and right of use assets	-18,717	-23,851
Other external research and development expenses	-409,875	-361,632
Total research and development expenses	**-684,902**	**-618,957**
- Hereof related to discontinued operations	-	4,913
Total research and development expenses from continuing operations	**-684,902**	**-614,044**

Since the capital raise completed in April 2023, Zealand has intensified its research and development activities which have been continuously increasing throughout 2023. The increase compared to 2022 comes from project expenses across all therapeutic areas along with increased hiring within Zealand's R&D area.

Notes to the Consolidated financial statements.

2.6 Selling and marketing expenses

§ Accounting policies

Selling and marketing expenses relate to Zealand's commercial activities, including costs related to preparing the market for Zealand's 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	2023	2022
Staff costs (note 2.8)	-14,455	-75,346
Amortization, depreciation, impairment losses on intangibles assets, property, plant and equipment, and right-of-use assets	-120	-23
Other external sales and marketing expenses	-16,052	-88,567
Total sales and marketing expenses	**-30,627**	**-163,936**
- Hereof related to discontinued operations	-	131,638
Total sales and marketing expenses from continuing operations	**-30,627**	**-32,298**

In 2023, total sales and marketing expenses have been primarily related to preparing the market for Zealand's remaining late-stage rare disease assets and in pursuing strong strategic partners for future commercialization. In 2022, all commercial activities in the US were discontinued following the company announcement in March 2022 on restructuring.

2.7 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	2023	2022
Staff costs (note 2.8)	-105,256	-118,308
Amortization, depreciation, impairment losses on intangibles assets, property, plant and equipment, and right-of-use assets	-6,249	-5,662
Other external general and administrative expenses	-73,797	-130,365
Total general and administrative expenses	**-185,302**	**-254,335**
- Hereof related to discontinued operations	-	17,125
Total general and administrative expenses from continuing operations	**-185,302**	**-237,210**

The decrease in total general and administrative expenses compared to prior year is mainly a result of the delisting from the US stock exchange in 2022, significantly reducing insurance premiums paid by Zealand.

Notes to the Consolidated financial statements.

2.8 Staff costs

Accounting policies

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

DKK thousand	2023	2022
Total staff costs can be specified as follows:		
Wages and salaries	-268,078	-369,311
Share-based compensation (note 4.9)	-61,426	-52,286
Pension schemes (defined contribution plans)	-21,189	-19,672
Government grants	7	5
Other payroll and staff-related costs	-25,335	-31,676
Total staff costs	**-376,021**	**-472,940**
- Hereof related to discontinued operations	-	110,426
Total staff costs from continuing operations	**-376,021**	**-362,514**
The amount is charged as:		
Research and development expenses	-256,310	-231,022
Sales and marketing expenses	-14,455	-7,870
General and administrative expenses	-105,256	-104,524
Other operating items - restructuring costs	-	-19,098
Discontinued operations	-	-110,426
Total staff costs	**-376,021**	**-472,940**
Average number of employees	**235**	**247**

For additional information refer to note 4.9 Share-based instruments and note 6.1 Remuneration of the Board of Directors and Executive Management.

For further information on restructuring costs included in other operating items in 2022, refer to note 2.9 Other operating items.

2.9 Other operating items

Accounting policies

Other operating items comprise non-revenue income and expenses related to Zealand's operations that are 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	2023	2022
Restructuring costs - continuing operations	-	-19,098
Insurance	-	-37,033
Loss on retirement of fixed assets	-	-1,456
Write-down of US Boston lease	-11,000	-
Reversal of inventory write-down (note 3.5)	15,979	-
Total other operating items from continuing operations	**4,979**	**-57,587**
Restructuring costs - discontinued operations	-	-56,738
Impairment of production equipment (note 3.2)	-	-9,725
Reversal of inventory write-down (note 3.5)	-	22,564
Loss on disposal group V-GO (note 2.10)	-	-40,743
Total other operating items from discontinued operations	**-**	**-84,642**
Presentation in income statement:		
Other operating income	15,979	-
Other operating expenses	-11,000	-57,587

Notes to the Consolidated financial statements.

2.9 Other operating items (continued)

As of December 31, 2023 Management has estimated the net realizable value of raw materials to be DKK 7.9 million as all remaining materials are expected to be utilized in the production and sale under the supply agreement with Novo Nordisk A/S, and therefore a reversal of Zegalogue® inventory write-down of DKK 16.0 million has been made, reference is made to note 3.5 Inventories. The partial reversal of the inventory write-down of DKK 22.6 million in 2022 primarily related to Zegalogue© finished goods which were transferred to Novo Nordisk A/S as a result of the global license and development agreement as announced in September 2022.

Impairment of right-of-use assets relates to an impairment of the US Boston office of DKK 11.0 million. The DKK 11.0 million comprise DKK 3.5 from impairment of furniture, fixtures & equipment (FF&E), DKK 1.3 million from impairment of right-of-use assets ("ROU"), and DKK 6.2 million from onerous contract (not recovered operating expenses and real estate taxes). The change in estimate of the recoverable amount reflects Management's assessment of future cash flows and market conditions from subleasing the US Boston lease, where the initial feedback from the real estate agent has indicated a lower rent level than anticipated previously thereby triggering impairment, refer to note 3.3 Right-of-use assets and lease liabilities.

Insurance in 2022 comprised a one-off cost to cover any claims against directors and officers that would arise following the delisting from the US stock exchange. Restructuring costs from discontinued operations in 2022 comprised 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 in 2022 comprised 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.

Impairment of production equipment in 2022 is related to equipment acquired to be able to upscale the production of Zegalogue©. Loss on disposal group V-GO covers the accounting loss incurred in 2022 as a result of the divestment of the V-GO activities. Please refer to note 2.10 Discontinued operations for further information.

2.10 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 intention 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 A/S effectually ending all efforts to commercialize the Group's products via its own sales force in 2022.

Management has exercised judgement in determining that the activities around commercialization of V-GO products via Zealand's own sales force and the transfer of commercial rights for 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.

2.10 Discontinued operations (continued)

The results and the cash flow of the discontinued activities are presented below as discontinued operations for the period ended December 31, 2023, and December 31, 2022:

DKK thousand	2023	2022
Revenue	-	87,613
Cost of goods sold	-	-70,688
Gross profit	**-**	**16,925**
Research and development expenses	-	-4,913
Sales and marketing expenses	-	-133,695
Administrative expenses	-	-17,125
Other operating items	-	-84,642
Net operating expenses	**-**	**-240,375**
Result before tax	**-**	**-223,450**
Corporate tax	-	-13,075
Net result for the year from discontinued operations	**-**	**-236,525**

DKK thousand	2023	2022
Cash flows from discontinued operations		
Net cash outflow from operating activities	-	-155,238
Net cash inflow from investing activities	-	106,380
Net cash outflow from financing activities	-	-1,064
Net cash decrease generated from the discontinued operation	**-**	**-49,922**

All assets and liabilities included in the V-GO disposal group were derecognized as of May 29, 2022, with the closure of the asset purchase agreement with MannKind Corporation. As a result, no assets or liabilities were 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 part of the license and development agreement with Novo Nordisk A/S as described in note 2.1 Revenue, finished goods with a value of DKK 21.3 was transferred as part of the contract.

Notes to the Consolidated financial statements.

2.11 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	2023	2022
Net result used in the calculation of basic and diluted earnings/ losses per share from continuing operations	-703,739	-965,610
Net result used in the calculation of basic and diluted earnings/ losses per share from discontinued operations	-	-236,525
Net result used in the calculation of basic and diluted earnings/ losses per share	-703,739	-1,202,135
Weighted average number of ordinary shares	56,881,075	46,502,969
Weighted average number of treasury shares	-292,488	-302,817
Weighted average number of ordinary shares excluding treasury shares used in the calculation of basic/diluted earnings per share	**56,588,587**	**46,200,152**
Loss per share from continuing operations -basic/diluted (DKK)	**-12.44**	**-20.90**
Loss per share from discontinued operations -basic/diluted (DKK)	**-**	**-5.12**
Total loss per share - basic/diluted (DKK)	**-12.44**	**-26.02**

In the calculation of the diluted loss per share for 2023, 1,970,432 potential ordinary shares related to share-based payment instruments have been excluded as they are anti-dilutive (2022: 2,190,503).

On January 8, 2024, Zealand announced an issue of 3,761,470 new ordinary shares, which represent the remaining authorization, at a subscription price of DKK 386.45 per new share resulting in gross proceeds of DKK 1.45 billion. The capital increase was completed in January 2024. Please refer to note 6.8 Subsequent events for further information.

3.0. Operating assets and liabilities

This section covers the operating assets and related liabilities that form the basis for Zealand's activities. Assets related to Zealand's financing activities are described in detail in section 4.0 Capital structure, financial risks and related items.

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3.7	Other financial assets	110
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3.1 Intangible assets

§ Accounting policies

Internal development programs
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.

Software
Software comprises capitalized implementation costs on IT projects initially measured at cost. Costs include configuration and customization of the underlying software, including training and testing. Capitalization ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by Management. The intangible assets are subsequently measured at cost less accumulated amortization and any impairment losses according to IAS 38. Amortization is calculated on a straight-line basis over the estimated useful life which is 3-5 years and is included in the income statement under general and administrative expenses.

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; and*
- *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	Software
Cost at January 1, 2023	-
Additions	12,508
Cost at December 31, 2023	**12,508**
Amortization and impairment at January 1, 2023	-
Amortization for the year	-253
Amortization and impairment at December 31, 2023	**-253**
Carrying amount at December 31, 2023	**12,255**
Amortization and impairment for the financial year has been charged as:	
General and administrative expenses	-253
Total	**-253**

In 2023, Zealand has implemented a new budget tool along with a new enterprise resource planning system (ERP) to further strengthen Management reporting. In 2023, a new quality assurance (QA) system has also been implemented with going-live date in December 2023. These investments have been made to provide Zealand with future economic benefits and are capitalized according to the new accounting policy for software.

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, 2022	2,530	13,692	65,613
Disposals	-2,530	-	-
Transferred to V-GO disposal group (note 2.10)	-	-13,692	-69,443
Currency translation	-	-	3,830
Cost at December 31, 2022	**-**	**-**	**-**
Amortization and impairment at January 1, 2022	-	13,692	14,353
Impairment for the year	2,530	-	-
Amortization for the year	-	-	2,057
Disposals	-2,530	-	-
Transferred to V-GO disposal group (note 2.10)	-	-13,692	-17,361
Currency translation	-	-	951
Amortization and impairment at December 31, 2022	**-**	**-**	**-**
Carrying amount at December 31, 2022	**-**	**-**	**-**
Amortization and impairment for the financial year has been charged as:			
Research and development expenses	-2,530	-	
Discontinued operations	-	-	-2,057
Total	**-2,530**	**-**	**-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 2.10 Discontinued operations for further information.

Licenses, rights, and patents as of 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.

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 improve-ments	Assets under con-struction
Cost at January 1, 2023	66,828	15,997	38,193	870
Transfers	-	870	-	-870
Additions	9,043	1,386	812	-
Disposals	-15,066	-427	-	-
Currency translation	-	-60	-98	-
Cost at December 31, 2023	**60,805**	**17,766**	**38,907**	**-**
Accumulated depreciation and impairment at January 1, 2023	52,339	11,233	7,788	-
Depreciation for the year	5,330	2,372	3,296	-
Impairment for the year	-	1,173	2,270	-
Disposals	-14,919	-427	-	-
Currency translation	-	-12	-12	-
Accumulated depreciation and impairment at December 31, 2023	**42,750**	**14,339**	**13,342**	**-**
Carrying amount at December 31, 2023	**18,055**	**3,427**	**25,565**	**-**
Depreciation and impairment for the financial year has been charged as:				
Research and development expenses	-5,320	-1,775	-2,523	-
Sales and marketing expenses	-	-68	-51	-
General and administrative expenses	-10	-1,702	-2,992	-
Total	**-5,330**	**-3,545**	**-5,566**	**-**

Impairment in 2023 on other fixtures and fittings of DKK 1.2 million and DKK 2.3 million on leasehold improvements relate to the US Boston office and is included in other operating expenses, refer to note 2.9 Other operating items. For further information on the impairment assessment refer to Management's judgements and estimates in note 3.3 Right-of-use assets and lease liabilities.

Disposals on plant and machinery mainly relate to scrap of old lab equipment in May 2023.

DKK thousand	Plant and machinery	Other fixtures and fittings	Leasehold improve-ments	Assets under con-struction
Cost at January 1, 2022	90,797	15,835	36,600	12,112
Transfers	268	1,644	2,915	-4,827
Additions	2,985	73	293	6,089
Disposals	-1,433	-905	-	-10,092
Transferred to V-GO disposal group (Note 2.10)	-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 and impairment at January 1, 2022	54,216	9,240	5,434	-
Depreciation for the year	7,903	3,145	3,187	-
Impairment for the year	742	71	-	10,092
Disposals	-1,433	-905	-	-10,092
Transferred to V-GO disposal group (Note 2.10)	-9,090	-357	-884	-
Currency translation	1	39	51	-
Accumulated depreciation and impairment at December 31, 2022	**52,339**	**11,233**	**7,788**	**-**
Carrying amount at December 31, 2022	**14,489**	**4,764**	**30,405**	**870**
Depreciation and impairment for the financial year has been charged as:				
Research and development expenses	-6,214	-2,315	-2,417	
General and administrative expenses	-	-779	-770	-
Other operating items	-742	-71	-	-362
Discontinued operations	-1,689	-28	-	-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.

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 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.

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.

Impairment

If circumstances or changes in Zealand's operations indicate that the carrying amount of right-of-use assets ("ROU") may not be recoverable, Management reviews that ROU for impairment. The basis for the review is the recoverable amount of the ROU, 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 ROU. If the carrying amount is greater than the recoverable amount, the ROU is written down to the recoverable amount. An impairment loss is recognized in the income statement when the impairment is identified.

Management's judgements and estimates

Management has estimated the recoverable amount of the right-of-use asset related to the US Boston office as of December 31, 2023. The impairment in 2023 of DKK 11.0 million reflects an assessment of the ROU's carrying amount against its recoverable amount, considering factors such as future cash flows and market conditions for office rentals in Boston, Massachusetts. Zealand has entered into an irrevocable lease agreement until 2029 thereby knowing the expected cash flows many years ahead and Management is currently investigating possibilities on subleasing the US office to a third party. The initial feedback from the real estate agent has indicated a lower rent level than previously anticipated thereby triggering impairment.

The recoverable amount has been calculated by applying a discount rate of 4.5% on future cash flows being the annual effective discount rate from the lease contract. Future cash flows are projected with 2% annual escalations and current projections include an estimate of the recoverable rent payments until the end of the lease term on August 31, 2029, partly offset by non-recovered operating expenses and real estate taxes.

The estimated recoverable amount is subject to sensitivity if the projected level for base rent per square feet changes; however, Management has chosen a conservative approach in the calculations, and therefore the risk for a significant change in the recoverable amount is deemed immaterial.

The DKK 1.3 million from impairment of right-of-use assets ("ROU") is included in other operating expenses, refer to note 2.9 Other operating items.

The total provision for onerous contract of DKK 6.2 million has been recognized as an addition to lease liabilities as of December 31, 2023, out of which DKK 1.4 million is short-term and DKK 4.8 million is long-term.

No impairment losses have previously been recognized for the right-of-use asset in Zealand Pharma U.S., Inc.

Notes to the Consolidated financial statements.

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

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, 2023	113,379	1,581
Additions	1,860	1,344
Depreciation expense	-12,557	-1,025
Impairment	-1,266	-
Currency translation	-532	21
As at December 31, 2023	**100,884**	**1,921**
As at January 1, 2022	133,371	1,623
Additions	-	736
Depreciation expense	-13,710	-778
Transferred to V-GO disposal group (note 2.10)	-8,128	-
Currency translation	1,846	-
As at December 31, 2022	**113,379**	**1,581**

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 a lease expiration date of August 31, 2029 with the opportunity to sublease. Equipment and vehicles are leased over a period of 3-4 years with no extension option.

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

DKK thousand	2023	2022
As at January 1	122,729	139,523
Additions	5,680	992
Accretion of interest	2,890	3,286
Payments	-12,711	-13,719
Transferred to V-GO disposal group (note 2.10)	-	-8,836
Currency translation	643	1,483
As at December 31	**119,231**	**122,729**
Current	16,655	14,729
Non-current	102,575	108,000
The following amounts are recognized in the income statement:		
Depreciation expense of right-of-use assets	-13,610	-14,488
Interest expense on lease liabilities	-2,892	-3,286
Total amount recognized in profit and loss	**-16,502**	**-17,774**
Cash flow	-17,664	-13,719
Total cash outflow from leases	**-17,664**	**-13,719**
Depreciation for the financial year has been charged as:		
Research and development expenses	-8,951	-10,375
General and administrative expenses	-4,659	-4,113
Total amount recognized in profit and loss	**-13,610**	**-14,488**

Notes to the Consolidated financial statements.

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.

Investment in Beta Bionics Inc.
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 0.6% (2022 :1.5%) ownership of Beta Bionics, Inc., and is measured at a fair value of DKK 14.0 million as of December 31, 2023 (2022: DKK 30.9 million).

In determining fair value, Zealand considers the value per share from the most recent closed financing round, adjusted for valuation infliction points through the balance sheet date, including (i) discount for lack of marketability, (ii) information obtained from third party valuation reports, and (iii) company announcements.

The following have been recognized as financial items:

DKK thousand	2023	2022
Other investments at January 1	30,943	26,907
Fair value adjustments	-16,939	4,036
Other investments at December 31	**14,004**	**30,943**

The fair value adjustment of the investment in 2023 of DKK 16.9 million is a combination of a reduction of the implied value per share provided by a third-party valuation expert. Also in August 2023, Beta Bionics announced the closing of $100 million series D funding. Zealand did not participate in this financing round thus having a dilutive effect on Zealand's ownership compared to 2022. Reference is made to note 4.3 Financial assets and liabilities for fair value disclosures.

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.

Zealand reviews inventory for excess or obsolescence and writes down inventory that has no alternative uses to its net realizable value. Economic conditions, customer demand and changes in purchasing and distribution can affect the carrying amount of inventory. 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.

Management's judgements and estimates

As of December 31, 2023, Zegalogue® related raw materials at cost amounted to DKK 7.9 million. Management has estimated the net realizable value to be DKK 7.9 million, and therefore a reversal of Zegalogue® inventory write-down of DKK 16.0 million has been made as the raw materials are expected to be utilized under the license and development agreement with Novo Nordisk A/S.

With the March 30, 2022, restructuring announcement an allowance for loss on Zegalogue® raw materials and finished goods of DKK 45.6 million was recognized in 2022 due to uncertainties around the future sales channels for the product. The allowance was included as discontinued operations under other operating expenses as a restructuring cost. As all Zegalogue® finished goods were transferred to

Notes to the Consolidated financial statements.

3.5 Inventories (continued)

Novo Nordisk A/S 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.

In 2023, an additional reversal of prior years' inventory allowance of DKK 16.0 million was recognized under other operating income.

As of December 31, 2022, Zegalogue® related raw materials and semi-finished goods at cost amounted to DKK 33.6 million. Due to uncertainties whether the materials would be utilized in the production under the supply agreement with Novo Nordisk A/S, Management estimated the net realizable value to be DKK 1.3 million at the end of 2022.

DKK thousand	2023	2022
Raw materials	7,935	1,286
Total	**7,935**	**1,286**

Write downs on inventory were comprised as follows:

DKK thousand	2023	2022
Accumulated write-downs, January 1	-32,257	-25,653
Write-downs in the reporting period	-	-45,547
Utilization of write-downs	3,635	16,867
Reversal of write-downs	15,979	22,623
Exchange differences	-	-547
Accumulated write-downs, December 31	**-12,643**	**-32,257**

The write-downs and the reversal of write-downs on inventory recognized in 2023 and 2022 are included in other operating items. Please refer to note 2.9 Other operating items.

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 less transaction costs 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, 2023, and December 31, 2022, are immaterial.

Deposits relate to up-front payments on rental of office buildings measured at nominal value. Other receivables include accrued interest on marketable securities and VAT receivables measured at nominal value. Prepaid expenses include expenditures related to a future financial period. Prepaid expenses are measured at historical cost.

DKK thousand	2023	2022
Deposits	8,908	9,409
Trade receivables	1,004	1,361
Receivables related to license and collaboration agreements	68,793	56,431
Other receivables	24,556	3,438
Prepaid expenses	34,892	63,088
Total trade and other receivables	**138,153**	**133,727**
Non-current	15,794	18,105
Current	122,359	115,622

Non-current other receivables comprise deposits on office buildings and accrued insurance costs. Current other receivables mainly comprise accrued interest from marketable securities and VAT receivables.

Receivables related to license and collaboration agreements include withholding tax receivable from the Boehringer Ingelheim (BI) milestone payment of DKK 35.7 million.

Notes to the Consolidated financial statements.

3.7 Other financial assets

§ Accounting policies

Please refer to accounting policies in note 4.3 Financial assets and liabilities.

DKK thousand	2023	2022
Other financial assets at January 1	6,901	-
Additions during the year	-	6,573
Fair value adjustments	474	319
Currency adjustments	-	9
Other financial assets at December 31	**7,375**	**6,901**

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 4% (2022: 10%) and an estimated probability of 50% to reach the first sales-related milestone (2022: 50% and 25% respectively to reach the first two sales-related milestones).

Reference is made to note 4.3 Financial assets and liabilities for fair value disclosures.

3.8 Trade and other payables

§ Accounting policies

Please refer to accounting policies in note 4.3 Financial assets and liabilities.

DKK thousand	2023	2022
Trade payables	91,607	53,156
Payable for treasury shares (note 4.8)	81,045	41,600
Employee benefits	51,730	58,348
Other payables	10,077	10,452
Discount and rebate liabilities	-	2,201
Accruals development projects	33,465	34,063
Total trade and other payables	**267,924**	**199,820**
Non-current	-	19,058
Current	267,924	180,762

Non-current trade and other payables as of December 31, 2022, of DKK 19.1 million related to frozen holiday funds under the Danish Holiday Act (Ferieloven) effective as of September 1, 2020. In August 2023, the amount has been paid in full to Lønmodtagernes Feriemidler through a voluntary payment.

4.0. Capital structure, financial risk and related items

This section includes disclosures related to how Zealand manages its capital structure, cash position and related risks and items.

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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 adequacy of our available funds will depend on various 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 potentially raise additional funds through equity or debt financings, collaborative agreements with partners, or from other sources.

At the annual general meeting on March 31, 2023, Zealand was authorized to increase the share capital by nominally DKK 10,340,419 during the period until March 29, 2028. On December 31, 2023, nominally DKK 3,761,471 of the authorization remains.

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, 2023.

On March 12 and 13, 2023 the Company provided statements on the closure of Silicon Valley Bank (SVB). At that time Zealand had DKK 162.6 million in cash deposits which were fully recovered.

On March 30, 2023, Zealand announced an issue of 6,578,948 new ordinary shares at a subscription price of DKK 228 per new share resulting in gross proceeds of DKK 1.5 billion. The capital increase was completed in April 2023.

On June 30, 2023, Zealand entered a new DKK 350 million Revolving Credit Facility provided by Danske Bank. The facility matures in 2 years from June 2023 where any outstanding amount must be repaid in full and carries an interest of CIBOR + fixed margin. As of December 31, 2023, Zealand has not made any draw downs on this credit facility.

In the light of the SVB closure in March 2023, mentioned above and settlement of the Oberland Capital loans in May 2023, Zealand has adopted a new treasury policy in order to achieve an even higher diversification in the management of funds. In 2023, Zealand has invested a significant amount in marketable

Notes to the Consolidated financial statements.

4.1 Capital management (continued)

securities, primarily as a result of excess liquidity from the capital raise in April 2023, but also to minimize credit risk. As of December 31, 2023, Zealand has DKK 1,183.7 million invested in marketable securities, corresponding to 72% of total cash, cash equivalents and marketable securities (2022: DKK 108.6 million, 9%). For additional information refer to note 4.5 Marketable securities.

In December 2023, Zealand signed a new loan agreement with the European Investment Bank (EIB) providing a credit of up to EUR 90 million, refer to note 4.6 Borrowings for an overview of the loan terms. Tranche A of EUR 50 million is expected to be disbursed in the beginning of 2024.

The Company and the Board of Directors monitor 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 2023. Neither Zealand Pharma A/S nor any of its subsidiaries are subject to externally imposed capital requirements other than the conditions related to the new revolving credit facility in Danske Bank and the new loan from the European Investment Bank (EIB), refer to note 4.6 Borrowings.

Under the revolving credit facility (RCF) in Danske Bank, Zealand is required to have a minimum collateral value of 120% of the loan commitment (DKK 420 million) held in the designated custody accounts under management by Danske Asset Management and Zealand's designated cash accounts attached to the custody accounts. Zealand must also comply with a covenant on fulfilling certain information requirements. The EIB loan contains a negative pledge clause preventing Zealand Pharma A/S or any of its subsidiaries from creating or permitting to subsist any new security over any of its assets. The pledges are described further in note 4.4 Cash and cash equivalents and a description of Zealand's total commitments can be found in note 6.4 Commitments.

On January 8, 2024, Zealand announced an issue of 3,761,470 new ordinary shares, which represent the remaining authorization, at a subscription price of DKK 386.45 per new share resulting in gross proceeds of DKK 1.45 billion. The capital increase was completed in January 2024. Please refer to note 6.8 Subsequent events for further information.

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 treasury 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.

Research and development, and regulatory milestone payments in license and collaboration agreements are denominated in foreign currencies, namely USD and EUR. However, as milestone payments are unpredictable in terms of timing and materialization, the payments are not included in the basic exchange rate risk evaluation.

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, 2023, Zealand holds DKK 313.9 million (2022: DKK 460.4 million) of its cash, cash equivalents and marketable securities in USD.

Interest rate risk

Zealand has a policy of avoiding financial instruments that expose the Group to any unintended financial risks. During 2023, all cash has been held in current bank accounts in DKK, USD, and EUR.

Following the closure of Silicon Valley Bank in March 2023, Zealand has made a shift towards more investments of surplus cash balances into low-risk marketable securities being fixed income instruments with an investment graded rating of AAA to BBB-.

Notes to the Consolidated financial statements.

4.2 Financial risks (continued)

The excess liquidity from the capital increase completed in April 2023, has been placed into a new DKK portfolio and EUR portfolio held at Danske Bank. The Group's marketable securities portfolio comprises various types of bonds and securities as described in note 4.5 Marketable securities. All bonds held as of December 31, 2023 mature within 13 months. The bonds are reinvested on the maturity date to minimize lost interest.

As of December 31, 2023, Zealand has borrowings amounting to DKK 0 million (2022: DKK 336.8 million), embedded derivatives amounting to DKK 0 million (2022: DKK 80.6) and lease liabilities amounting to DKK 119.2 million (2022: DKK 122.7 million). Lease liabilities as of December 31, 2023, includes a provision for onerous contract of DKK 6.1 million as part of the impairment of the right-of-use asset related to the US Boston office as described in detail in note 3.3 Right-of-use assets and lease liabilities. The change in borrowings and embedded derivatives is a result of the settlement of the Oberland Capital loan as described in note 4.6 Borrowings. An increase in interest rates would be reflected in an 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. Cash and bonds are associated with an inherent credit risk, though not considered to be very high, as the counterparties are banks with investment-grade ratings (i.e. BBB- or higher from Standard & Poor's).

On the date of Silicon Valley Bank's closure on March 10, 2023, Zealand had DKK 162.6 million in cash deposits which were fully recovered. Following the SVB closure a new treasury policy was adopted as described in note 4.1 Capital management.

Liquidity risk

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

Zealand's short-term liquidity is managed and monitored by means of the Company's annual budget process and 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.

In 2023, Zealand has lifted the covenants on cash and cash equivalents from the Oberland Capital loan following the settlement in May 2023. Zealand's total liquidity reserve has increased significantly in 2023, with the DKK 1.5 billion capital raise in March (surplus funds invested in marketable securities), the new Danske Bank credit facility, and in December 2023, the loan with the European Investment Bank.

DKK thousand	2023	2022
Cash and cash equivalents	449,311	720,626
Cash and cash equivalents (subject to certain conditions)	-	348,608
Marketable securities	1,183,746	108,611
Danske Bank revolving credit facility (RCF)	350,000	-
EIB loan (Tranche A)	372,645	-
Total liquidity reserve as of December 31	**2,355,702**	**1,177,845**

Zealand Pharma entered in December 2023 into a loan agreement with the EIB, whereby the Tranche A of this loan for DKK 373 million is expected to be received in Q1, 2024. The conditions for disbursement of the first tranche (Tranche A) have been met late 2023, i.e. Boehringer Ingelheim's initialization of the Phase 3 program with survodutide in patients living with obesity or overweight (SYNCHRONIZE™).

In January 2024, Zealand completed a capital increase thereby receiving another DKK 1.45 billion in gross proceeds as described in note 6.8 Subsequent events.

Reference is made to going concern considerations in note 1.1 Basis of preparation, going concern assumption, nature of the business and accounting policies 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 impact on profit/loss and equity of changes in valuation of the Company's operations in USD, i.e. cash, cash equivalents, marketable securities and lease liabilities as of December 31, 2023, and December 31, 2022, assuming a 10% fluctuation increase in the USD conversion rate.

	2023		2022	
DKK thousand	Fluctuation	Effect	Fluctuation	Effect
USD	+/-10%	+/-29,187	+/-10%	+/-21,209

Contractual maturity (liquidity risk)

Details on the Group's aggregate liquidity risk on financial assets and liabilities is provided 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.

Except for 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
Lease liabilities	15,377	61,094	47,763	124,234	119,231
Trade and other payables	267,924	-	-	267,924	267,923
Total financial liabilities as of December 31, 2023	**283,301**	**61,094**	**47,763**	**392,158**	**387,154**
Borrowings including embedded derivatives	260,970	191,515	37,996	490,481	401,346
Lease liabilities	14,995	59,553	62,237	136,785	122,729
Trade and other payables	180,762	-	19,058	199,820	199,820
Total financial liabilities as of December 31, 2022	**456,727**	**251,068**	**119,291**	**827,086**	**723,895**

All cash flows are non-discounted, including interest. Contractual obligations related to payments under agreements for development projects, including CROs, are disclosed in note 6.4 Commitments, as their maturity dates are uncertain.

Cash flows denominated in USD are translated into DKK at the USD/DKK rates applicable as of December 31, 2023.

On May 10, 2023, Zealand settled the Oberland Capital loan, including embedded derivatives as described in note 4.6 Borrowings. Long-term trade and other payables in 2022 of DKK 19.1 million related to frozen holiday funds paid in full in August, 2023, refer to note 3.8 Trade and other payables.

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	Note	2023	2022
Categories of financial instruments			
Trade and other receivables excluding prepaid expenses		103,261	70,640
Financial assets at amortized costs		**103,261**	**70,640**
Marketable securities (Level 1)	4.5	1,183,746	-
Marketable securities (Level 2)	4.5	-	108,611
Other investments (Level 3)	3.4	14,004	30,943
Other financial assets (Level 3)	3.7	7,375	6,901
Financial assets measured at fair value through profit and loss		**1,205,125**	**146,455**
Borrowings		-	320,743
Lease liabilities		167,986	122,729
Trade and other payables		267,923	199,820
Financial liabilities measured at amortized cost		**435,909**	**643,292**
Embedded derivatives, lender's call option (Level 3)	4.6	-	80,603
Financial liabilities measured at fair value through profit and loss		**-**	**80,603**

DKK thousand	Financial assets (Level 3)	Financial liabilities (Level 3)
Carrying amount at January 1, 2023	37,844	80,603
Fair value adjustments through profit and loss	-16,465	-1,161
Exchange rate effect through other comprehensive income	-	-1,916
Derecognition of call option on settlement of Oberland Capital loan	-	-77,526
Carrying amount at December 31, 2023	**21,379**	**-**

DKK thousand	Financial assets (Level 3)	Financial liabilities (Level 3)
Carrying amount at January 1, 2022	325,949	-
Fair value adjustments through profit and loss	4,355	62,613
Exchange rate effect through other comprehensive income	9	-27
Equity investment in bond portfolio	-299,042	-
V-GO milestones	6,573	-
Bifurcation of embedded derivatives	-	18,017
Carrying amount at December 31, 2022	**37,844**	**80,603**

No transfer between fair value levels have occurred during 2023 and 2022.

Notes to the Consolidated financial statements.

4.4 Cash and cash equivalents

§ Accounting policies

Cash is measured on intitial recognition at cost.

DKK thousand	2023	2022
Cash and cash equivalents	449,311	720,626
Cash and cash equivalents (subject to certain conditions)	-	348,608
Total borrowings including embedded derivatives	**449,311**	**1,069,234**

Restricted cash and cash equivalents
Under the second amendment to the Oberland loan agreement signed on September 20, 2022, the outstanding principal of USD 50 million was on December 31, 2022, held in a designated deposit account subject to certain conditions. The cash and securities could 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 Borrowings. On May 10, 2023, Zealand settled the Oberland Capital loans in a one-time payment. With the final repayment of the Oberland loan agreement on May 10, 2023, all previous restrictions have been released.

Pledges provided in relation to revolving credit facility in Danske Bank
As security for the undrawn revolving credit facility of DKK 350 million, as disclosed in note 4.6 Borrowings, the Group has provided pledge over Zealand's designated custody accounts under management by Danske Asset Management and pledge over Zealand's designated cash accounts attached to the custody accounts. As of December 31, 2023, marketable securities and cash and cash equivalents held in these pledged accounts amount to DKK 454.5 million and DKK 0.1 million, respectively.

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 three measurement categories which Zealand considers when classifying 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 rate gains/(losses). Impairment losses are presented as a separate line item in the statement of profit or loss.*

- *Fair value through other comprehensive income (FVOCI): Assets that are held with an objective that results in collecting contractual cash flows and selling financial assets are measured at FVOCI. A gain or loss on assets that is subsequently measured at FVOCI is recognized in other comprehensive profit or loss. Impairment losses and foreign exchange rate gains/(losses) are presented as a separate line item in the statement of profit or loss.*

- *Fair value through profit and loss (FVTPL): Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income (FVOCI) are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within financial income or expenses in the period in which it arises.*

Notes to the Consolidated financial statements.

4.5 Marketable securities (continued)

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 prior year's classification.

Transactions are recognized at trade date.

DKK thousand	2023	2022
DKK portfolio:		
DK bonds	509,948	-
Total DKK portfolio	**509,948**	**-**
EUR portfolio:		
IG Corporate bonds (investment-grade)	454,467	-
Total EUR portfolio	**454,467**	**-**
USD portfolio:		
Asset-backed securities	2,738	24,392
Certificates of deposit	125,178	-
Commercial paper	69,823	-
Corporate bonds	-	84,219
U.S. Treasury Debt	2,664	-
U.S. Treasury Repurchase Agreement	18,928	-
Total USD portfolio	**219,331**	**108,611**
Total portfolio	**1,183,746**	**108,611**

In October 2023, the USD portfolio previously held at Silicon Valley Bank has been transferred to JP Morgan. The DKK and EUR portfolios are held at Danske Bank.

All marketable securities have a fixed interest rate but different maturities. As of December 31, 2023, all outstanding securities were expected to mature within 13 months (2022: 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 amortized over the term of the loan as part of the effective interest rate on the loan. Transaction costs attributable to non-closely related embedded derivatives are expensed on initial recognition. Subsequently, borrowings are measured at amortized 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 amortized 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 recognized. Lender fees and transaction costs attributable to unconditional loan commitments are treated as prepaid transaction costs if the Group expects to draw down on the facility. If the Group has no specific plans for draw down on the loan commitment, the transaction costs are amortized 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 recognized as an expense.

Derecognition of financial liabilities: A financial liability is derecognized when the obligation under the liability is settled, discharged, cancelled, or expires. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized through profit and loss.

Notes to the Consolidated financial statements.

4.6 Borrowings (continued)

DKK thousand	2023	2022
Borrowings at amortized cost	-	320,743
Embedded derivatives at fair value	-	80,603
Total borrowings including embedded derivatives	**-**	**401,346**

On December 31, 2021, Zealand entered into a USD 100 million loan agreement with Oberland. The following describes subsequent amendments to the loan agreement and the final settlement in May 2023.

Following a change in the strategy announced on March 30, 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 positive 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 prepaying 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 as of December 31, 2021, 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 covenants were lifted, and Zealand gained access 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 was Management's assessment that the value of Zealand's prepayment option as of December 31, 2022, is immaterial.

During 2022 the loan agreement with Oberland Capital was 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 included 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 additional 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, as release from the liquidity covenant as 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 recognized 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 September 20, 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 measurement 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

Notes to the Consolidated financial statements.

4.6 Borrowings (continued)

Settlement of Oberland Capital loan

On April 20, 2023, Oberland Capital exercised an option in the loan agreement to provide an additional loan of USD 12.5 million on similar terms as the existing loan, bringing the total principal amount to USD 62.5 million. The additional loan of USD 12.5 million was not provided in cash.

On May 10, 2023, Zealand settled the Oberland Capital loans, including embedded derivatives, in a one-time payment of USD 77.3 million (DKK 525.7 million). With this final repayment, the Group's loan agreement with Oberland Capital was fully settled. As a result of the settlement Zealand in 2023 recognized a net loss of USD 19.9 million (DKK 135.6 million) under financial items, including derecognition of Oberland Capital's call option with a carrying value as of May 10, 2023, of USD 11.4 million (DKK 77.5 million).

For an overview of the events under the loan agreement from December 31, 2022, and until repayment on May 10, 2023, please refer to the movement table presented below.

With the final repayment, Oberland has released all rights to collateral provided for under the loan agreement.

Management's judgements and estimates

Fair value measurement of lender's call option

Fair value of the lender call option is 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. As of December 31, 2022, the likelihood of a lender call option trigger event within the next two years was assessed as realistic and fair value of the option was assessed to DKK 80.6 million. At the time of settlement on May 10, 2023, the fair value of the option amounted to DKK 77.5 million. The fair value change, DKK 1.2 million (2022: DKK -62.6 million), is included in financial items, while the effect of changes to the exchange rate, DKK 1.9 million (2022: DKK 0.0 million), is included in other comprehensive income. Valuation is based on unobservable data (level 3).

Notes to the Consolidated financial statements.

4.6 Borrowings (continued)

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

		Non-cash changes recognized in profit and loss							Non-cash changes over other comprehensive income	Cash changes		
	Carrying value as of December 31, 2022	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	Repayment of debt, Including premium	Currency adjustments	Carrying value as at December 31, 2023
Borrowings as amortized costs	320,743	211,938	-	-	-	-	943	-	-7,960	-525,664	-	-
Embedded derivatives at fair value - Lender call option	80,603	-77,526	-	-	-	-1,161	-	-	-1,916	-	-	-
Other receivables	-8,184	1,176	-	-	-	-	-	15,688	263	-	-8,943	-
Total impact from Oberland loan agreement	**393,162**	**135,588**	**-**	**-**	**-**	**-1,161**	**943**	**15,688**	**-9,613**	**-525,664**	**-8,943**	**-**

		Non-cash changes recognized in profit and loss							Non-cash changes over other comprehensive income	Cash changes		
	Carrying value as of December 31, 2021	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	Repayment of debt, Including premium	Currency adjustments	Carrying value as at December 31, 2022
Borrowings as amortized costs	647,906	60,387	22,381	-18,017	-18,581	-	1,337	-	47,829	-422,085	-	320,743
Embedded derivatives at fair value - Zealand prepayment option	-	71,050	-	-	-	-71,050	-	-	-	-	-	-
Embedded derivatives at fair value - Lender call option	-	-	-	18,017	-	62,613	-	-	-27	-	-	80,603
Other receivables	-	-	-7,764	-	-4,890	-	-	54,052	-2,928	-14,003	-32,651	-8,184
Total impact from Oberland loan agreement	**647,906**	**131,437**	**14,617**	**-**	**-23,471**	**-8,437**	**1,337**	**54,052**	**44,460**	**-436,088**	**-32,651**	**393,162**

Notes to the Consolidated financial statements.

4.6 Borrowings (continued)

Refinancing with new credit facility

The repayment of the Oberland Capital loan has been refinanced through a new DKK 350 million Revolving Credit Facility provided by Danske Bank and milestones from existing partners. The facility matures in 2 years from June 2023 where any outstanding amount must be repaid in full and carries an interest of CIBOR + fixed margin. The main terms of the facility are listed below.

In 2023, there have been no significant transaction costs related to the facility, thus no transaction costs have been capitalized from entering the agreement. As of December 31, 2023, total amount of undrawn borrowing facilities amounts to DKK 350 million.

Credit facility terms:

Amount:	DKK 350 million
Maturity date:	June, 2025
Repayment:	Each loan under the Revolving Credit Facility must be repaid on the last day of its Interest Period. All outstanding amounts under the Revolving Credit Facility must be repaid in full on the Final Maturity Date.
Maximum number of loans and minimum amount of each loan:	The loan can be called with a minimum of DKK 25,000,000, or if greater, in integral multiples of DKK 5,000,000. A maximum of 5 loans can be outstanding at any given time.
Upfront fee:	0.4% of the Amount.
Interest on withdrawals:	CIBOR + fixed margin.
Commitment fee	45% of fixed margin.

For a description of the pledges provided in relation to the credit facility refer to note 4.4 Cash and cash equivalents.

New loan facility from the European Investment Bank (EIB)

In December 2023, Zealand has entered into a new EUR 90 million finance agreement with the European Investment Bank (EIB). The loan, which has been offered at competitive terms, is structured with part of the interest paid at recurring intervals during the term and part being deferred (non-compounding) for payment at maturity of each tranche. In addition, the EIB will enter into a warrant agreement with Zealand that will entitle the EIB to receive warrants in Zealand when each tranche is drawn down. The warrants will, subject to the warrant terms, entitle the warrant holder to subscribe for ordinary shares in Zealand at market price.

The conditions for disbursement of the first tranche (Tranche A) have been met and the EUR 50 million is expected to be available to Zealand in the beginning of 2024. In 2023, DKK 0.7 million was capitalized through transaction costs related to the loan facility from entering the agreement, which will be amortized over the loan term.

Loan terms:

Amount:	The loan facility may be utilized in up to three tranches of EUR 50 million (Tranche A), EUR 20 million (Tranche B) and EUR 20 million (Tranche C), respectively, with disbursement of each tranche subject to pre-specified milestones being met. A floating rate and a deferred interest rate shall be paid on each tranche.
Maturity date:	6 years from the disbursement date of the relevant tranche.
Repayment:	Each tranche under the EIB loan must be repaid on the maturity date.
Prepayment fee:	1-5% of principal amount if prepaid before maturity.
Floating rate:	EURIBOR + fixed margin (cash pay margin).
Deferred interest rate:	Low single digit for all tranches.
Commitment fee:	Low single digit on the daily undrawn and uncancelled balance of the relevant tranche. The commitment fee becomes effective from the date falling 6 months from the date of the agreement (Tranche A) or from the date falling 6 months from conditions being fulfilled (Tranches B and C).
Warrants:	With the disbursement of each tranche, warrants are granted to EIB in accordance with the warrant agreement. The warrants granted will vest as the loan(s) are repaid. If not utilized, any warrants will expire twenty years from the signing date of the contract. Once the warrants have vested, EIB has a put option enabling them to sell the warrants back to Zealand at fair market value at any time.

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, banking fees from managing financial transactions, gains and losses from sale of marketable securities and dividends from marketable securities.

DKK thousand	2023	2022
Interest income	45,324	6,542
Interest expenses from financial liabilities measured at amortized costs	-21,998	-53,169
Interest expenses from lease liabilities	-2,890	-3,286
Fair value adjustments of embedded derivatives – Zealand prepayment option	-	-62,613
Loss on settlement of borrowings, including embedded derivatives under Oberland loan	-135,588	-131,437
Loss on debt recognition – amendment I	-	-14,617
Gain on debt recognition – amendment II	-	23,471
Gain from sale of marketable securities	1,519	-
Fair value adjustment of lender's call option	1,161	71,050
Fair value adjustment of marketable securities	6,111	-1,699
Fair value adjustment of other investments	-16,465	4,036
Amortization of loan costs	-943	-1,337
Exchange rate adjustments (primarily on USD deposits)	-9,708	25,602
Other financial expenses	-3,150	2,569
Financial items in total	**-136,627**	**-134,888**
Presentation in income statement:		
Financial income	54,115	133,270
Financial expenses	-190,742	-268,158

Interest income comprises interest on marketable securities, including interest from the new marketable securities in Danske Bank from June 2023, which is the main reason for the increase in interest income compared to 2022.

Interest expenses and banking fees have decreased significantly compared to 2022 following the settlement of the Oberland Capital loans in May 2023 as described in note 4.6 Borrowings. Going forward interest expenses mainly comprise interest on the newly established credit facility in Danske Bank, the finance agreement with the European Investment Bank (EIB), and banking fees.

Fair value adjustments of Zealand's prepayment option in 2022, are related to the prepayment option included in the loan agreement with Oberland. Please refer to note 4.6 Borrowings for further information.

In 2023, loss on settlement of borrowings relates to the settlement of the Oberland loan on May 10, 2023. In 2022, loss on settlement of borrowings relates to the utilization of the prepayment option from the loan agreement with Oberland comprised of the partial utilization of the prepayment option, the premium paid and the capitalized loan costs, which were fully expensed. Reference is made to note 4.6 Borrowings for further information.

Gain on debt modifications in 2022 comprises the accounting impact of the two amendments to the Oberland agreement as described in note 4.6 Borrowings.

Fair value adjustment of lender call option in 2022 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 Borrowings.

Fair value adjustment on other investments comprises the accounting impact of the investment in Beta Bionics as described in note 3.4 Other investments.

Notes to the Consolidated financial statements.

4.8 Share capital

§ Accounting policies

The share capital comprises the nominal amount of Zealand Pharma A/S's ordinary shares, each at a nominal value of DKK 1. All shares are fully paid.

The share premium reserve is comprised of the amount received, attributable to shareholders' equity, in excess of the nominal amount of the shares issued at the parent company's capital increases or exercise of warrants, reduced by any external expenses directly attributable to the offerings. The total nominal amount from purchase of treasury shares is recognized in retained losses, including any amount excess of the nominal amount.

Share option schemes
The Group has share option schemes for warrants, performance share units (PSUs) and restricted share units (RSUs) under which options to subscribe for the Group's shares have been granted to employees, Management and Board of Directors. Refer to note 4.9 Share-based instruments for further details.

PSUs and RSUs exercised in each respective year have been settled using the treasury shares of the Group. Any excess of the cash received from exercise of warrants over the nominal amount of the shares issued is recorded in share premium.

DKK thousand	2023	2022
Share capital at January 1	51,702	43,634
Shares issued for cash	6,579	7,867
Exercise of warrants	470	201
Share capital at December 31	**58,751**	**51,702**

The share capital solely consists of one class of ordinary shares all issued at 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 March 31, 2023, Zealand was authorized to increase the share capital by nominally DKK 10,340,419 during the period until March 29, 2028.

On December 31, 2023, nominally DKK 3,761,471 of the authorization remains. The Company has an unused authorization 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 April 15, 2026.

On March 30, 2023, Zealand announced an issue of 6,578,948 new ordinary shares at a subscription price of DKK 228 per new share resulting in gross proceeds of DKK 1.5 billion. The capital increase was completed in April 2023.

During 2023, a total of 470,106 new shares (2022: 200,588) have been issued due to exercise of warrant programs with net proceeds of DKK 63.9 million (2022: DKK 23.8 million) corresponding to an average exercise price of DKK 136.0 (2022: DKK 118.8).

As announced on January 8, 2024, the Board of Directors exercised the remaining authorization granted by Zealand's annual general meeting held on March 29, 2023, to increase the Group's share capital by issue of 3,761,470 new ordinary shares at a subscription price of DKK 386.45 per new share. The aggregate gross proceeds from the private placement in public equity will amount to DKK 1.45 billion and Zealand intends to use the net proceeds to further strengthen Zealand's investment in its differentiated assets targeting obesity. The new shares were issued on January 12, 2024, and Zealand received the net proceeds of DKK 1.43 billion on January 16, 2024. The costs related to the capital increase were DKK 22.9 million.

For additional information on the potential dilutive effects refer to note 2.11 Earnings per share.

Treasury shares
As of December 31, 2023, there were 373,134 treasury shares, equivalent to 0.6% of the share capital (2022: 230,063, 0.4%). The treasury shares are allocated to performance share units (PSUs) and restricted share units (RSUs).

As of December 31, 2023, DKK 81.0 million included in trade and other payables, comprise Zealand's commitment to a bank credit relating to the acquisition of 300,000 new treasury shares in 2023.

The payable amount for treasury shares as of December 31, 2022, of DKK 41.6 million as disclosed in note 3.8 Trade and other payables has been settled and paid in full during 2023, and is reflected in the cash flow statement for 2023. The DKK 41.6 million was recognized under equity in 2021 when Zealand committed to the purchase of 200,000 new treasury shares.

Notes to the Consolidated financial statements.

4.9 Share-based instruments

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 equity-settled incentive plans based on Restricted share units (RSUs), Performance share units (PSUs) and warrants.

Warrants, PSUs and RSUs are granted by the Board of Directors in accordance with authorizations given to it by Zealand Pharma A/S's shareholders. Grants to members of the Board of Directors and members of the Executive Management are subject to the Remuneration Policy adopted at the Annual General Meeting.

Share-based compensation expense

The total expense recognized for the year under staff costs arising from share-based instruments was as follows:

DKK thousand	2023	2022
Recognized as staff costs:		
Share-based compensation expenses	61,426	52,286
Total	**61,426**	**52,286**

Total share-based compensation expenses split on type of award

DKK thousand	2023	2022
PSUs	18,209	11,510
RSUs	22,481	16,789
Warrants	20,736	23,987
Total	**61,426**	**52,286**

Total share-based compensation expenses split on expense type

DKK thousand	2023	2022
The amount is presented as:		
Research and development expenses	29,758	33,837
Selling and marketing expenses	1,732	649
General and administrative expenses	29,936	31,696
Other operating items	-	-11,241
Discontinued operations	-	-2,655
Total	**61,426**	**52,286**

In 2022, restructuring costs from discontinued operations included a reversal of costs related to forfeited share-based incentive programs of DKK 2.7 million. Restructuring costs from continuing operations also included a reversal of costs related to forfeited share-based incentive programs as part of restructuring costs following the March 20, 2022, company announcement. This is included in other operating items with DKK 11.2 million. For further information see note 2.9 Other operating items.

§ Accounting policies

Share-based compensation expenses

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 instruments vest. The offsetting entry is recognized under equity. At each reporting date, an estimate is made of the number of instruments expected to vest, so the total expense recognized over the vesting period is equal to fair value of the actual number of instruments which vest. The fair value of warrants granted is estimated using the Black–Scholes pricing model, whereas for RSUs and PSUs the closing share price on the day of the grant is used.

In respect of performance obligations, market conditions, such as when the exercisability of an instrument depends on the achievement of a specified target that is based on the market price or value of the entity's equity instruments, relative to an index, are taken into account when estimating the fair value of the award at the grant date, while non-market vesting conditions, such as forfeiture rates, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so as to reflect the number of awards that are expected to vest.

Notes to the Consolidated financial statements.

4.9 Share-based instruments (continued)

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 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 share price volatility, which is based upon the historical volatility of Zealand's share price.*
- *The risk-free interest rate, which is determined based on 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 contractual life terms in the current warrant program.*

These assumptions can vary over time and can change the fair value of future warrants granted.

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 achievement of performance goals for PSUs.*

Determination of fair value of the instruments granted
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.

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 expire automatically after 5 or 10 years for warrants granted to Corporate Management and employees, respectively.

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 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 (2022: 6.5 years)

The fair value of the warrants granted in 2023 and 2022 was determined using the following inputs:

Grant year	2023	2022
Inputs in determining fair value of warrants:		
Life of warrant	10 years	5 and 10 years
Weighted average exercise price/share price (DKK)	219.4	93.6
Volatility (%)	43.0 to 50.3	48.6 to 61.2
Risk-free interest rate (%)	2.68 to 2.89	0.86 to 2.14
Exercise period to-from	Apr '26 to Oct '33	May '23 to Sep '32

The weighted average fair value of warrants granted in 2023 is DKK 114.7 (2022: DKK 43.4).

Warrant programs
A Warrant grants the beneficiary the option to purchase a new share at a fixed price upon vesting. The only vesting condition is time (service condition).

Incentive programs with outstanding warrants at the end of 2023 and 2022, respectively, have been offered under different warrant programs. The number of warrants granted in 2023 consists of 290,894 granted on April 19, 2023, and 4,943 granted on October 31, 2023, totaling 295,837 warrants (2022: 896,990).

The warrants granted in 2023 are valued at DKK 33.9 million (2022: DKK 38.9 million) using the Black-Scholes model. The warrants vest linearly or gradually over 3 years.

Notes to the Consolidated financial statements.

4.9 Share-based instruments (continued)

Movement table of warrants granted:

No. of warrants	2023	Weighted average exercise price (DKK)
Warrants outstanding at January 1	1,549,430	124.7
Granted during the period	295,837	219.4
Forfeited during the period	-33,884	124.7
Exercised during the period	-470,106	136.0
Expired during the period	-6,619	155.8
No. of warrants outstanding at December 31	**1,334,658**	**141.6**
Exercisable at the end of the period	333,302	176.8
Exercisable within 1 year	81,277	97.2
Exercisable within 1-2 years	631,110	93.1
Exercisable within 2-3 years	288,969	219.4
Warrants outstanding at the end of the period:		
Range of exercise prices (DKK)	90.7-300.4	
Weighted-average remaining contractual life	7.00	
Number held by Executive Management	203,101	

No. of warrants	2022	Weighted average exercise price (DKK)
Warrants outstanding at January 1	1,477,194	159.6
Granted during the period	896,990	93.6
Forfeited during the period	-230,302	175.2
Exercised during the period	-200,588	118.8
Expired during the period	-393,864	158.1
No. of warrants outstanding at December 31	**1,549,430**	**124.7**
Exercisable at the end of the period	465,158	122.7
Exercisable within 1 year	344,717	194.3
Exercisable within 1-2 years	81,277	97.2
Exercisable within 2-3 years	658,277	93.0
Warrants outstanding at the end of the period:		
Range of exercise prices (DKK)	90-224.4	
Weighted-average remaining contractual life	5.8	
Number held by Executive Management	268,101	

The weighted average share price for warrants exercised in 2023 is DKK 252.2 (2022: DKK 189.0).

The Board of Directors has not been granted warrants. Refer to note 6.1 Remuneration of the Board of Directors and Executive Management for additional information.

Notes to the Consolidated financial statements.

4.9 Share-based instruments (continued)

PSU programs

PSUs grant the beneficiary the right to receive one already existing share upon vesting. Vesting conditions for PSUs consist of both a service condition (time) and a performance condition. The performance condition can be either market based (cliff vesting) or operational based (graded vesting). The PSUs have either cliff vesting after 3 years or graded vesting over 3 years.

Operational based PSUs are dependent on pre-determined performance criteria (non-market performance conditions) set out to pursue the overall strategic objectives for the Company.

The number of performance share units granted in 2023 consists of 67,576 granted on April 19, 2023 (2022: 286,813). The value per share unit granted is determined based on the Company's closing share price on Nasdaq Copenhagen A/S on the day of the grant.

The PSUs granted in 2023 are valued at DKK 14.7 million at grant (2022: DKK 28.3 million) based on a share price of DKK 218.0 (2022: DKK 90.7 to 203.0). The weighted average fair value of PSUs granted in 2023 is DKK 218.0 (2022: DKK 98.7). Dividends are not expected and thus not incorporated into the measurement of fair value.

Movement table of PSU granted shares:

No. of PSUs DKK thousand	2023	2022
No. of share units:		
At January 1	357,801	271,761
Adjustments due to performance targets	-	35,948
Granted during the year	67,576	286,813
Vested during the year	-65,550	-71,780
Forfeited during the year	-	-164,941
At December 31	**359,827**	**357,801**

The adjustment made in 2022 of 35,948 units was due to reaching a performance target set out in the 2021 operational based PSU grant.

RSU programs

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 (service condition). The RSUs have either cliff vesting after 3 years or graded vesting over 3 years.

The number of restricted share units granted in 2023 consists of 126,747 granted on April 19, 2023 (2022: 148,431). The value per share unit granted is determined based on the Company's closing share price on Nasdaq Copenhagen A/S on the day of the grant.

The RSUs granted in 2023 are valued at DKK 27.6 million (2022: DKK 13.6 million) and are granted at a share price of DKK 218.0 (2022: DKK 90.7 to 100.2). The weighted average fair value of RSUs granted in 2023 is DKK 218.0 (2022: DKK 91.6). Dividends are not expected and thus not incorporated into the measurement of fair value.

Movement table of RSU granted shares:

No. of RSUs DKK thousand	2023	2022
No. of share units:		
At January 1	283,272	460,089
Granted during the year	126,747	148,431
Vested during the year	-91,307	-116,563
Forfeited during the year	-42,765	-208,685
At December 31	**275,947**	**283,272**

Sale Instruction Scheme

In 2024, Zealand has decided to establish a Sale Instruction Scheme for its Corporate Management. The Scheme allows the individual member of the management to give a sales instruction for future sales at a time where the individual is not in possession of inside information. The Scheme is only to be used by the Zealand management to sell shares to pay their taxes or the cost of exercising the incentive schemes. Zealand has assisted the management in establishing the Scheme, however, it is at the individual management member's own risk and liability to use the Scheme and Zealand cannot be held accountable for any liability.

5.0. Tax

Zealand Pharma's Tax Policy is reviewed annually and approved by the Board of Directors. Please refer to our tax policy on our website: https://www.zealandpharma.com/wp-content/uploads/2023/08/Zealand-Pharma-Company-Tax-Policy-2023.pdf.

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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 losses 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 from changes in tax rates is 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 losses carried forward, if Management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. This judgement 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 are 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 that no deferred tax assets should be recognized on December 31, 2023 (none recognized in 2022), except for the US entity, which is expected to have profitable taxable income due to the Group's transfer pricing setup.

Notes to the Consolidated financial statements.

5.1 Corporate tax (continued)

DKK thousand	2023	2022
Net result for the year before tax	-708,865	-1,195,491
Corporate tax rate in Denmark	22.0%	22.0%
Expected tax benefit	-155,950	-263,008
Adjustment for foreign tax rates	-2,618	-806
Adjustment for non-deductible expenses	-6,512	1,052
Adjustment for non-taxable income	-	-468
Adjustment for warrants	-1,690	5,935
Adjustment for R&D extra deduction	-21,768	-20,960
Adjustment to prior year	-28,409	800
Change in tax assets (not recognized)	211,821	283,493
Total income tax expense/(benefit)	**-5,126**	**6,644**
- hereof related to discontinued operations	**-**	**-13,075**
Total income tax expense/(benefit) from continuing operations	**-5,126**	**-6,431**

Zealand Pharma pays corporate income tax in jurisdictions where the operations are profitable. Corporate income tax is currently only paid in the United States. We are currently in a loss-making position in Denmark with an accumulated tax loss carryforward shown in the table below, which can be offset in future taxable income.

Zealand Pharma accepts government sponsored tax credits and incentives with strict adherence to the rules and in line with the economic substance of the Company's business activities. We only accept credits and incentives which are commonly available. Under Danish tax law, Zealand Pharma is eligible to receive a DKK 5.5 million cash refund in 2023 (2022: DKK 5.5 million) on qualifying research and development expenses, which at the same time equally reduces the tax loss carried forward. Zealand is also eligible for the super deduction in Denmark on certain research and development expenditures. Unrecognized deferred tax assets relate to tax jurisdictions in Denmark and US.

DKK thousand	2023	2022
Specification of deferred tax assets:		
Tax losses carried forward (available indefinitely)	3,898,988	3,312,022
Research and development expenses	1,031,011	956,816
Intangible assets	76,129	107,231
Non-current assets	100,444	105,323
Liabilities	21,981	77,168
Other	412,116	103,278
Total temporary differences	**5,540,669**	**4,661,838**
Calculated potential deferred tax asset at local tax rate	1,219,805	1,026,257
Deferred tax asset not expected to be utilized	-1,218,880	-1,024,240
Recognized deferred tax asset	**925**	**2,017**

Adjustment for foreign tax rates

Adjustment relates to difference in the corporate tax rates between Denmark and United States.

Adjustment for non-deductible expenses

Adjustment mainly relates to interest deduction limitation and value adjustment of tax-exempt portfolio shares in Beta Bionics Inc. In addition, from January 1, 2023, new legislation limiting deduction for high salaries has come into effect. This is more than offset by non-deductible expenses related to the Oberland Capital loan in 2023.

Adjustment for warrants

Adjustment relates to timing difference between deduction of warrants in the accounts and the deduction for tax purposes, along with differences in accounting and tax values.

In accordance with IFRS 2, the fair value of warrants at grant date is recognized as an expense in the income statement over the vesting period for accounting purposes. For tax purposes, a deduction is

Notes to the Consolidated financial statements.

5.1 Corporate tax (continued)

claimed at the time the warrants, which fulfill certain conditions, are exercised. The deductible amount is equal to the difference in fair value of the warrants and the exercise price for taxable warrants.

The adjustment relates to Zealand Pharma's warrant incentive schemes and represents the deductible amount along with an adjustment of the expected future tax deduction on incentive schemes. Deductions are calculated based on the circumstances for the individual scheme and the recipient. Zealand Pharma also provides, included in this adjustment, incentive schemes which are non-deductible for tax purposes.

Adjustment for R&D extra deduction
Adjustment relates to an 8% extra deduction taken on qualifying research and development expenses in accordance with the government sponsored tax incentive.

Adjustment to prior year
In 2023, the adjustment mainly relates to an interest limitation that was not fully included until the finalization of the tax return for 2022.

Tax assets not recognized
In accordance with the Group's accounting policies, the value of tax assets originating from Denmark is not recognized, due to uncertainty regarding when and if they will be realized as a future tax advantage within a foreseeable future.

Tax assets originating from Zealand Pharma U.S., Inc. have been recognized with an amount of DKK 0.9 million, which is expected to be realized as a future tax advantage within a foreseeable future.

Total tax losses carried forward for the Group amount to DKK 3,899 million.

6.0. Other disclosures

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6.1 Remuneration of the Board of Directors and Executive Management

	2023			2022		
DKK thousand	Base board fees	Share-based compensation	Total fees	Base board fees	Share-based compensation	Total fees
Remuneration to the Board of Directors						
Martin Nicklasson	100	966	1,066	100	968	1,068
Kirsten Drejer	100	483	583	100	484	584
Alain Munoz	100	544	644	100	545	645
Michael Owen	100	544	644	100	545	645
Bernadette Mary Connaughton	100	483	583	100	484	584
Jeffrey Berkowitz	100	483	583	100	484	584
Leonard Kruimer	100	664	764	100	666	766
Jens Peter Stenvang[1]	100	181	281	100	182	282
Frederik Barfoed Beck[1]	100	181	281	100	182	282
Louise Gjelstrup[1]	100	181	281	100	182	282
Anneline Nansen[1,2]	100	181	281	100	96	196
Total	**1,100**	**4,891**	**5,991**	**1,100**	**4,818**	**5,918**

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

[2] 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
2023							
Remuneration to the Executive Management							
Adam Sinding Steensberg[1]	5,750	4,744	1,150	243	12,950	-	24,837
Henriette Wennicke[2]	2,621	1,441	524	267	4,387	-	9,240
Total	**8,371**	**6,185**	**1,674**	**510**	**17,337**	**-**	**34,077**
Total Other Corporate Management[5]	**9,696**	**5,300**	**1,016**	**820**	**15,467**	**-**	**32,299**
Total	**18,067**	**11,485**	**2,690**	**1,330**	**32,804**	**-**	**66,376**
2022							
Remuneration to the Executive Management							
Adam Sinding Steensberg[1]	4,162	2,366	832	725	11,061	-	19,146
Henriette Wennicke[2]	420	168	84	41	225	-	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**

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 2023 comprised four members (2022: four)

Notes to the Consolidated financial statements.

6.2 Fees to auditors appointed at the annual general meeting

DKK thousand	2023	2022
Audit	2,590	7,862
Audit-related services and other assurance engagements	940	1,760
Other	-	389
Total fees	**3,530**	**10,011**

The fee for audit-related services and other assurance engagements, and other services provided to the Group by EY Godkendt Revisionspartnerselskab in 2023 and 2022 consisted of an audit of the annual report, quarterly reviews, other audit-related services on various statements for public authorities, and other accounting advisory services.

6.3 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, future payments under these agreements 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, 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 6.7 Collaborations and technology licenses for descriptions of Zealand's collaboration and license agreements.

6.4 Commitments

Guarantees and collaterals

The Group provided floating charge collateral covering all assets in the Company which could be collateralized, including shares in subsidiaries, as collateral for the debt to Oberland. On May 10, 2023, the Group settled the Oberland Capital loans in a one-time payment. With the final repayment, Oberland has released all rights to collateral provided for under the loan agreement.

Under the revolving credit facility (RCF) in Danske Bank, Zealand is required to have a minimum collateral value of 120% of the loan commitment (DKK 420 million) held in the designated custody accounts under management by Danske Asset Management and Zealand's designated cash accounts attached to the custody accounts. Zealand must also comply with a covenant on fulfilling certain information requirements. The pledges are described further in note 4.4 Cash and cash equivalents.

The EIB loan contains a negative pledge clause preventing Zealand Pharma A/S or any of its subsidiaries from creating or permitting to subsist any new security over any of its assets.

Other purchase obligations

As of December 31, 2023, total contractual obligations related to agreements for development projects, including CROs, amounted to DKK 304.4 million of which DKK 219.3 million relates to 2024 and DKK 85.1 million to the years 2025 up to and including 2028 (2022: DKK 220.5 million).

6.5 Related parties

Zealand has no related parties with controlling interest.

Zealand's other related parties comprise the Company's Board of Directors and Executive Management. Aside from the remuneration and other transactions described in note 6.1 Remuneration of the Board of Directors and Executive Management, there were no other material related party transactions during 2023 and 2022.

Notes to the Consolidated financial statements.

6.6 Cash flow adjustments

DKK thousand	2023	2022
Depreciation, amortization and impairment losses	25,086	117,961
Deferred revenue	-	-67,584
Reversal of inventory write-down	-15,980	-
Share-based compensation expenses	61,426	52,286
Financial income	-54,115	-37,780
Financial expenses	190,741	174,927
Corporate tax	-5,125	9,893
Fair value adjustments	-	-3,590
Exchange rate adjustments	-	23,219
Adjustments for non-cash items in total	**202,033**	**269,332**

DKK thousand	2023	2022
Changes in accounts receivable	-6,756	26,636
Changes in prepaid expenses	28,534	17,581
Changes in other receivables	-11,849	6,474
Changes in inventory	9,339	18,221
Changes in accounts payable	39,837	21,550
Changes in other liabilities	14,218	-26,452
Changes in rebate and discount liabilities	-2,162	-22,515
Changes in other liabilities and provisions	-19,058	-31,334
Changes in working capital in total	**52,103**	**10,161**

6.7 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 6.3 Contingent assets and liabilities, each agreement is marked with CA (contingent asset) and CL (contingent liability) if applicable.

Complement C3 (collaboration with Alexion, AstraZeneca Rare Disease) (CA)

Zealand and Alexion are collaborating on the discovery and development of novel peptide therapies for complement-mediated diseases. Under the terms of the agreement entered in March 2019, Alexion and Zealand entered into an exclusive collaboration for the discovery and development of subcutaneously delivered peptide therapies directed to up to four complement pathway targets.

The lead program, ZP10068, is an investigational long-acting inhibitor of Complement C3 which has the potential to treat a broad range of complement mediated diseases. Zealand will lead the joint discovery and research efforts through the pre-clinical stage, and Alexion will lead development efforts beginning with Investigational New Drug (IND) filing and Phase 1 trials. Zealand has completed activities to support advancing ZP10068 into clinical studies. Subsequent regulatory, clinical, and development efforts will be led and conducted by Alexion.

For the lead target, Zealand is eligible to receive up to USD 115 million in development milestone payments and up to USD 495 million in sales milestone payments, plus royalties on global sales in the high single to low double digits. In addition, Alexion has the option to select up to three additional targets with Zealand being eligible for USD 15 million upfront per target plus potential development/regulatory milestones for each target selected similar to the lead target with slightly reduced commercial milestones and royalties.

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.

6.7 Collaborations and technology licenses (continued)

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

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 Other investments for further information.

Boehringer Ingelheim (Obesity/survodutide) (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, Boehringer obtained global development and commercialization rights to the lead drug candidate, survodutide. Boehringer funds all research, development, and commercialization activities under the agreement.

As of December 31, 2023, Zealand is eligible to receive license and milestone payments of up to EUR 315.0 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 Boehringer of all products stemming from this collaboration. In addition, Zealand retains co-promotion rights in Scandinavia.

In November 2023, Boehringer initiated the Phase 3 program with survodutide in patients living with obesity or overweight (SYNCHRONIZE™) that consists of three global clinical trials, which triggered a EUR 30 million milestone payment (2022: 0).

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 an 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.

As of December 31, 2023, Zealand is eligible to receive up to USD 10.0 million in sales-based milestones. The fair value of milestones is recognized as other financial assets, refer to note 3.7 Other financial assets.

Notes to the Consolidated financial statements.

6.7 Collaborations and technology licenses (continued)

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 Nordisk A/S 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, and time and material compensation.

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

As of December 31, 2023, Zealand is eligible to receive up to DKK 22.5 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 A/S.

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

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.

As of December 31, 2023, Zealand is eligible to receive up to USD 60.0 million 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.

In 2023, USD 10 million in milestone payments associated with lixisenatide were received from Sanofi. Out of the USD 10 million from Sanofi, Zealand will pay USD 1.3 million in royalty expenses to Alkermes in line with a termination agreement following the dissolution of a former joint venture with Elan Corporation (now Alkermes), stipulating that Alkermes is entitled to 13% of payments received by Zealand in respect to lixisenatide under the Sanofi License Agreement. As of December 31, 2023, there are no outstanding milestone payments associated with the license agreement with Sanofi (2022: USD 10 million).

6.8 Subsequent events

Capital increase

As announced on January 8, 2024, the Board of Directors exercised the remaining authorization granted by Zealand's annual general meeting held on March 29, 2023, to increase the Group's share capital by issue of 3,761,470 new ordinary shares at a subscription price of DKK 386.45 per new share.

The aggregate gross proceeds from the private placement amount to DKK 1.45 billion and Zealand intends to use the net proceeds to further strengthen Zealand's investment in its differentiated assets targeting obesity.

The new shares were issued on January 12, 2024, and Zealand received the proceeds on January 16, 2024.

Besides the above mentioned, no events have occurred subsequent to the balance sheet date that could significantly affect the financial statements as of December 31, 2023.

Disbursement of EIB loan (Tranche A)

As announced on December 22, 2023, Zealand entered into a new EUR 90 million (DKK 671 million) finance agreement with the European Investment Bank (EIB). The conditions for disbursement of the first tranche (Tranche A) have been met. In February 2024, Zealand Pharma has accepted disbursement offer for Tranche A and the related EUR 50 million (DKK 373 million) is expected to be received in March 2024.

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Financial statements of the parent company.

Statement of loss for the years ended December 31, 2023 and 2022

DKK thousand	Note	2023	2022
Revenue	2	278,131	141,741
Royalty expenses	3	-7,447	-37,756
Cost of goods sold		-10,036	-
Gross profit		**260,648**	**103,985**
Research and development expenses	4	-690,260	-613,993
Sales and marketing expenses	5	-29,886	-32,285
General and administrative expenses	6	-184,058	-236,977
Other operating income	9	15,979	-
Other operating expenses	9	-	-88,188
Net operating expenses		**-888,225**	**-971,443**
Operating result		**-627,577**	**-867,458**
Dividend from subsidiaries		-	38,624
Financial income	8	48,779	36,710
Financial expenses	8	-330,569	-9,268
Result before tax		**-909,367**	**-801,392**
Corporate tax	10	5,592	5,005
Net result for the year from continuing operations		**-903,775**	**-796,387**
Net result for the year from discontinued operations	11	-	-223,575
Net result for the year		**-903,775**	**-1,019,962**

Statement of comprehensive loss for the years ended December 31, 2023 and 2022

DKK thousand	Note	2023	2022
Net result for the year		**-903,775**	**-1,019,962**
Other comprehensive income/(loss)		-	-
Total comprehensive result for the year		**-903,775**	**-1,019,962**

Financial statements of the parent company.

Statement of financial position as of December 31, 2023 and 2022

DKK thousand	Note	Group note	2023	2022
Assets				
Intangible assets	12		12,255	-
Property, plant and equipment	13		47,047	46,169
Right-of-use assets	14		89,772	97,571
Other investments		3.4	14,004	30,943
Investments in subsidiaries	15		36,186	62,228
Other receivables	17		15,786	157,039
Other financial assets		3.7	7,375	6,901
Total non-current assets			**222,425**	**400,851**
Inventory	16		7,935	1,286
Trade and other receivables	17		178,249	134,760
Corporate tax receivable	10		11,000	5,500
Marketable securities		4.5	1,183,746	-
Cash and cash equivalents (subject to certain conditions)		4.4	-	348,608
Cash and cash equivalents		4.4	302,157	361,496
Total current assets			**1,683,087**	**851,650**
Total assets			**1,905,512**	**1,252,501**

DKK thousand	Note	Group note	2023	2022
Share capital		4.8	58,751	51,702
Share premium			6,406,225	4,921,232
Retained losses			-4,928,620	-4,005,383
Total shareholders' equity			**1,536,356**	**967,551**
Other payables	18		303	19,058
Lease liabilities	14		83,977	91,096
Total non-current liabilities			**84,280**	**110,154**
Lease liabilities	14		12,024	11,522
Trade and other payables	18		272,852	163,274
Total current liabilities			**305,820**	**174,796**
Total liabilities			**284,876**	**284,950**
Total shareholders' equity and liabilities			**1,905,512**	**1,252,501**

Financial statements of the parent company.

Statement of cash flows for the years ended December 31, 2023 and 2022

DKK thousand	Note	2023	2022
Net result for the year	22	-903,775	-1,019,962
Adjustment for other non-cash items	23	336,963	13,049
Changes in working capital		-103,446	-53,814
Financial income received		33,816	-
Financial expenses paid		-8,675	-999
Corporate taxes received		91	7,698
Cash flow used in operating activities		**-645,026**	**-1,054,028**
Proceeds from sale of marketable securites		665,336	297,559
Purchase of marketable securities		-1,843,301	-
Purchase of intangible assets		-12,508	-
Purchase of property, plant and equipment		-11,241	-8,838
Divestment of activities	11	-	64,475
Cash flow from/(used in) investing activities		**-1,201,714**	**353,196**
Lease installments	14	-11,649	-11,714
Proceeds from issuance of shares		1,500,000	1,052,757
Purchase of treasury shares		-41,600	-
Proceeds from issuance of shares related to exercise of share-based compensation		63,950	31,904
Costs related to issuance of shares		-71,908	-47,354
Cash flow from financing activities		**1,438,793**	**1,025,593**
(Decrease)/increase in cash and cash equivalents		-407,947	324,761
Cash and cash equivalents at beginning of year		710,104	377,189
Exchange rate adjustments		-	8,154
Cash and cash equivalents at end of year		**302,157**	**710,104**

Statement of changes in shareholders' equity at December 31, 2023 and 2022

DKK thousand	Share capital	*Share premium	*Retained losses	Total
Equity at January 1, 2023	**51,702**	**4,921,232**	**-4,005,383**	**967,551**
Net result for the year	-	-	-903,775	-903,775
Purchase of treasury shares	-	-	-81,045	-81,045
Net settlement of PSUs	-	-	66	66
Net settlement of RSUs	-	-	91	91
Exercise of warrants	470	63,480	-	63,950
Share-based compensation expenses	-	-	61,426	61,426
Capital increases	6,579	1,493,421	-	1,500,000
Costs related to capital increases	-	-71,908	-	-71,908
Equity at December 31, 2023	**58,751**	**6,406,225**	**-4,928,620**	**1,536,356**
Equity at January 1, 2022	**43,634**	**3,891,993**	**-3,037,895**	**897,732**
Net result for the year	-	-	-1,019,962	-1,019,962
Net settlement of PSUs	-	-	72	72
Net settlement of RSUs	-	-	116	116
Exercise of warrants	201	31,703	-	31,904
Share-based compensation expenses	-	-	52,286	52,286
Capital increases	7,867	1,044,890	-	1,052,757
Costs related to capital increases	-	-47,354	-	-47,354
Equity at December 31, 2022	**51,702**	**4,921,232**	**-4,005,383**	**967,551**

* Other reserves of DKK 915.8 million from the 2022 Annual Report have been split into Share premium and Retained losses to ease readability of movements in shareholders' equity.

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 has been prepared in accordance with IFRS Accounting 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 section 1.0 Basis of preparation in the consolidated financial statements.

Notes have only been included in the Parent Financial Statement where amounts differ from the consolidated 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 15 Investments in subsidiaries.

2 Revenue

Please refer to note 2.1 Revenue in the consolidated financial statements for accounting policies for the revenue streams and additional information regarding revenue.

Recognized revenue can be specified as follows for all agreements:

DKK thousand	2023	2022
Alexion Pharmaceuticals Inc.	4,093	69,028
Boehringer Ingelheim International GmbH	223,725	-
Novo Nordisk A/S	34,150	34,013
ZP SPV 3 K/S	6,127	38,700
Total revenue from license and collaboration agreements	**268,095**	**141,741**
Product sales - External	10,036	21,292
Product sales - Intercompany	-	-10,791
- Hereof related to discontinued operations	-	-10,501
Sale of goods revenue from continuing operations	**10,036**	**-**
Total revenue from continuing operations	**278,131**	**141,741**
Total revenue recognized over time	44,371	114,881
Total revenue recognized at a point in time from continuing operations	233,760	26,860
Total revenue recognized at a point in time from discontinued operations	-	10,501
Milestone revenue	223,725	26,860
Royalty revenue	840	-
Reimbursement revenue for R&D services	37,403	65,390
Product sales	10,036	10,791
Revenue from research and development services rendered to ZP SPV 3 K/S	6,127	38,700
Total revenue by revenue stream from continuing operations	**278,131**	**141,741**
Product sales	-	10,501
Total revenue by revenue stream from discontinued operations	**-**	**10,501**

Revenue of DKK 6.1 million (2022: 38.7 million) from ZP SPV 3 K/S relates to IP rights for the Alexion Pharmaceutical Inc. agreement transferred from Zealand Pharma A/S to ZP SPV 3 K/S in 2020. ZP SPV 3 K/S reimburses ZP A/S for the R&D services carried out on behalf of ZP SPV 3 K/S.

Notes to the Financial statements of the parent company.

3 Royalty expenses

Royalty expenses of DKK 7.4 million in 2023 (2022: 37.8 million) relate to license fees payable by Zealand Pharma A/S to ZP SPV 3 K/S for use of the IP rights under the Alexion Pharmaceuticals Inc. agreement which were internally transferred to ZP SPV 3 K/S in 2020.

4 Research and development expenses

DKK thousand	2023	2022
Staff costs (note 7)	-241,639	-233,474
Amortization, depreciation, impairment losses on intangibles assets, property, plant and equipment, and right-of-use assets	-18,087	-23,851
Other external research and development expenses	-430,534	-361,632
Total research and development expenses	**-690,260**	**-618,957**
- Hereof related to discontinued operations	-	4,913
Total research and development expenses from continuing operations	**-690,260**	**-614,044**

5 Sales and marketing expenses

DKK thousand	2023	2022
Staff costs (note 7)	-10,427	-75,346
Amortization, depreciation, impairment losses on intangibles assets, property, plant and equipment, and right-of-use assets	-	-23
Other external sales and marketing expenses	-19,459	-88,567
Total sales and marketing expenses	**-29,886**	**-163,936**
- Hereof related to discontinued operations	-	131,638
Total sales and marketing expenses from continuing operations	**-29,886**	**-32,298**

6 General and administrative expenses

DKK thousand	2023	2022
Staff costs (note 7)	-94,258	-118,308
Amortization, depreciation, impairment losses on intangibles assets, property, plant and equipment, and right-of-use assets	-3,601	-5,662
Other external general and administrative expenses	-86,199	-130,365
Total general and administrative expenses	**-184,058**	**-254,335**
- Hereof related to discontinued operations	-	17,125
Total general and administrative expenses from continuing operations	**-184,058**	**-237,210**

7 Information on staff and remuneration

DKK thousand	2023	2022
Total staff costs can be specified as follows:		
Wages and salaries	-247,253	-220,310
Share-based compensation	-55,130	-51,286
Pension schemes (defined contribution plans)	-20,945	-17,615
Government grants	-	5
Other payroll and staff-related costs	-22,996	-5,682
Total staff costs	**-346,324**	**-294,888**
- Hereof related to discontinued operations	-	7,275
Total staff costs from continuing operations	**-346,324**	**-287,613**
The amount is charged as:		
Research and development expenses	-241,639	-210,971
Sales and marketing expenses	-10,427	-
General and administrative expenses	-94,258	-62,627
Other operating items	-	-14,015
Discontinued operations	-	-7,275
Total staff costs	**-346,324**	**-294,888**
Average number of employees	224	197

For remuneration to the Board of Directors please refer to note 6.1 Remuneration of the Board of Directors and Executive Management in the consolidated financial statements and for additional information regarding staff costs refer to note 2.8 Staff costs.

Notes to the Financial statements of the parent company.

7 Information on staff and remuneration (continued)

DKK thousand	Base salary	Bonus	Pension contribution	Other short term benefits	Share-based compensation	Severance payment	Total
2023							
Remuneration to the Executive Management							
Adam Sinding Steensberg[1]	5,750	4,744	1,150	243	12,950	-	24,837
Henriette Wennicke[2]	2,621	1,441	524	267	4,387	-	9,240
Total	**8,371**	**6,185**	**1,674**	**510**	**17,337**	**-**	**34,077**
Total Other Corporate Management[5]	**7,728**	**4,910**	**948**	**693**	**11,086**	**-**	**25,365**
Total	**16,099**	**11,095**	**2,622**	**1,203**	**28,423**	**-**	**59,442**
2022							
Remuneration to the Executive Management							
Adam Sinding Steensberg[1]	4,162	2,366	832	725	11,061	-	19,146
Henriette Wennicke[2]	420	168	84	41	225	-	938
Emmanuel Dulac[3]	2,626	1,575	525	122	-3,265	6,564	8,147
Matthew Donald Dallas[4]	308	123	-	103	-	-	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**	**-**	**20,286**
Total	**13,647**	**6,921**	**2,339**	**1,590**	**18,590**	**6,564**	**49,651**

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 part of his salary was paid out in Denmark.

5 Other Corporate Management in 2023 comprised four members (2022: four).

Notes to the Financial statements of the parent company.

8 Financial items

DKK thousand	2023	2022
Interest income	31,778	380
Interest expenses from financial liabilities measured at amortized costs	-6,050	-3,824
Interest expenses from lease liabilities	-2,075	-2,207
Interest income from group companies	9,701	7,682
Impairment of investments in subsidiaries	-26,042	-
Impairment of intercompany receivables	-271,897	-2,073
Gain from sale of marketable securities	1,519	-
Fair value adjustment of marketable securities	5,781	-1,164
Fair value adjustment of other investments	-16,466	4,036
Exchange rate adjustments	-5,127	24,612
Other financial expenses	-2,912	-
Financial items in total	**-281,790**	**27,442**
Presentation in income statement:		
Financial income	48,779	36,710
Financial expenses	-330,569	-9,268

Impairment of investments in subsidiaries of DKK 26.0 million and impairment of intercompany receivables of DKK 271.9 million (2022: 2.1 million) relates to the Oberland Capital loan which Zealand Pharma A/S settled in May 2023 on behalf of Zealand Pharma U.S., Inc. Refer to description in note 15 Investments in subsidiaries and 17 Trade and other receivables respectively. Please also refer to note 4.7 Financial items in the consolidated financial statements for additional information regarding financial items.

9 Other operating items

DKK thousand	2023	2022
Restructuring costs - continuing operations	-	-14,015
Insurance	-	-37,033
Impairment Encycle IP rights	-	-35,691
Loss on sale of fixed assets	-	-1,449
Reversal of inventory write-down (note 3.5)	15,979	-
Total other operating items from continuing operations	**15,979**	**-88,188**
Restructuring costs - discontinued operations	-	-30,615
Impairment of production equipment (note 3.2)	-	-9,730
Reversal of inventory write-down (note 3.5)	-	1,284
Loss on disposal group V-GO (note 2.10)	-	-3,072
Total other operating items from discontinued operations	**-**	**-42,133**
Presentation in income statement:		
Financial income	15,979	-
Financial expenses	-	-88,188

Impairment of Encycle IP rights in 2022 is described further in note 12 Intangible assets. Please refer to note 2.9 Other operating items in the consolidated financial statements for additional information.

Notes to the Financial statements of the parent company.

10 Corporate tax

DKK thousand	2023	2022
Net result for the year before tax	-909,367	-1,024,967
Corporate tax rate in Denmark	22.0%	22.0%
Expected tax benefit	-200,061	-225,493
Adjustment for non-deductible expenses	48,447	868
Adjustment for warrants	943	6,274
Adjustment for R&D extra deduction	-21,768	-20,960
Adjustment to prior years	-30,673	1,839
Change in tax assets (not recognized)	197,520	232,467
Total income tax expense/(benefit)	**-5,592**	**-5,005**
Tax on equity		
Warrants shareprice development	-32,566	-7,362
Change in tax assets (not recognized)	32,566	7,362
Total income tax expense (income)	**-**	**-**
Specification of unrecognized deferred tax assets:		
Tax losses carried forward (available indefinitely)	3,862,273	3,299,214
Research and development expenses	1,031,011	956,816
Licenses, rights and patents	76,129	71,540
Non-current assets	109,930	105,961
Liabilities	9,855	-98,695
Other	393,640	102,156
Total temporary differences	**5,482,838**	**4,436,991**

Please refer to note 5.0 Tax in the consolidated financial statements for additional information regarding income tax.

11 Discontinued operations

Management's judgements and estimates

On March 30, 2022, the group announced its intention 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 had determined that the activities to supply subsidiaries with products and acquired 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, were presented separately as a discontinued operation in the income statement.

Notes to the Financial statements of the parent company.

11 Discontinued operations (continued)

The results and the cash flow of the discontinued activities are presented below as discontinued operations for the period ended December 31, 2023, and December 31, 2022:

DKK thousand	2023	2022
Revenue	-	10,546
Cost of goods sold	-	-41,113
Gross profit	**-**	**-30,567**
Research and development expenses	-	-4,035
Sales and marketing expenses	-	-129,827
Administrative expenses	-	-17,014
Other operating items	-	-42,132
Net operating expenses	**-**	**-193,008**
Result before tax	**-**	**-223,575**
Net result for the year from discontinued operations	**-**	**-223,575**

DKK thousand	2023	2022
Cash flows from discontinued operations		
Net cash outflow from operating activities	-	-17,717
Net cash inflow from investing activities	-	64,383
Net cash increase generated from the discontinued operation	**-**	**46,666**

All assets and liabilities included in the V-GO disposal group were derecognized as of May 29, 2022, with the closure of the asset purchase agreement with MannKind Corporation. As a result, no assets or liabilities were classified as held for sale in relation to the discontinued operations 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**
Loss on sale of disposal group - recognized as other operating items from discontinued operations	-3,072

Notes to the Financial statements of the parent company.

12 Intangible assets

DKK thousand	Software
Cost at January 1, 2023	-
Additions	12,508
Cost at December 31, 2023	**12,508**
Amortization and impairment at January 1, 2023	-
Amortization for the year	-253
Amortization and impairment at December 31, 2023	**-253**
Carrying amount at December 31, 2023	**12,255**
Amortization and impairment for the financial year has been charged as:	
General and administrative expenses	-253
Total	**253**

DKK thousand	Licenses rights and patents
Cost at January 1, 2022	41,167
Disposals	-35,691
Transferred to V-GO disposal group (note 2.10)	-5,476
Cost at December 31, 2022	**-**
Amortization and impairment at January 1, 2022	5,476
Impairment for the year	35,691
Disposals	-35,691
Transferred to V-GO disposal group (note 2.10)	-5,476
Amortization and impairment at December 31, 2022	**-**
Carrying amount at December 31, 2022	**-**
Amortization and impairment for the financial year has been charged as:	
Other operating items	35,691
Total	**35,691**

Licenses, rights, and patents on 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.

Please refer to note 3.1 Intangible assets in the consolidated financial statements for additional information.

Notes to the Financial statements of the parent company.

13 Property, plant and equipment

DKK thousand	Plant and machinery	Other fixtures and fittings	Leasehold improve-ments	Assets under con-struction
Cost at January 1, 2023	66,828	14,153	35,190	870
Transfers	-	870	-	-870
Additions	9,043	1,386	812	-
Disposals	-15,066	-427	-	-
Cost at December 31, 2023	**60,805**	**15,982**	**36,002**	**-**
Accumulated depreciation and impairment at January 1, 2023	52,339	10,987	7,546	-
Depreciation for the year	5,330	1,995	2,891	-
Disposals	-14,919	-427	-	-
Accumulated depreciation and impairment at December 31, 2023	**42,750**	**12,555**	**10,437**	**-**
Carrying amount at December 31, 2023	**18,055**	**3,427**	**25,565**	**-**
Depreciation and impairment for the financial year has been charged as:				
Research and development expenses	-5,320	-1,651	-2,380	-
General and administrative expenses	-10	-344	-511	-
Total	**-5,330**	**-1,995**	**-2,891**	**-**

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
Transfers	268	-	-	-268
Additions	2,985	72	293	6,088
Transferred to V-GO disposal group (note 2.10)	-25,770	-268	-	-2,563
Retirements	-1,433	-	-	-9,730
Cost at December 31, 2022	**66,828**	**14,153**	**35,190**	**870**
Accumulated depreciation and impairment at January 1, 2022	54,201	8,388	4,703	-
Depreciation for the year	7,901	2,749	2,843	-
Impairment for the year	742	-	-	9,730
Transferred to V-GO disposal group (note 2.10)	-9,072	-	-	-9,730
Retirements	-1,433	-150	-	-
Accumulated depreciation and impairment at December 31, 2022	**52,339**	**10,987**	**7,546**	**-**
Carrying amount at December 31, 2022	**14,489**	**3,166**	**27,644**	**870**
Depreciation and impairment for the financial year has been charged as:				
Research and development expenses	6,214	2,315	2,417	-
General and administrative expenses	-	406	426	-
Other operating items	742	-	-	-
Discontinued operations	1,687	28	-	9,730
Total	**8,643**	**2,749**	**2,843**	**9,730**

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

Notes to the Financial statements of the parent company.

14 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	Office buildings	Other fixtures and fittings
As at January 1, 2023	95,990	1,581
Additions	1,860	1,344
Depreciation expense	-9,999	-1,004
As at December 31, 2023	**87,851**	**1,921**
As at January 1, 2022	106,158	1,623
Additions	-	736
Depreciation expense	-10,159	-778
Transferred to V-GO disposal group (note 2.10)	-9	-
As at December 31, 2022	**95,990**	**1,581**

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

DKK thousand	2023	2022
As at January 1	102,618	111,455
Additions	3,588	689
Disposals	-393	-
Accretion of interest	2,075	2,207
Payments	-11,887	-11,714
Transferred to V-GO disposal group (note 2.10)	-	-19
As at December 31	**96,001**	**102,618**
Current	12,024	11,522
Non-current	83,977	91,096
The following amounts are recognized in the income statement:		
Depreciation expense of right-of-use assets	-11,002	-10,937
Interest expense on lease liabilities	-2,075	-2,207
Total amount recognized in profit and loss	**-13,077**	**-13,144**
Cash flow	-11,649	-11,714
Total cash outflow from leases	**-11,649**	**-11,714**

Notes to the Financial statements of the parent company.

15 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. Impairment losses are recognized under financial items.

DKK thousand	2023	2022
Cost at January 1	62,228	62,228
Divestment	-1,911	-
Cost at December 31	**60,317**	**62,228**
Value adjustments at January 1	-	-
Impairment	-24,131	-
Value adjustments at December 31	**-24,131**	**-**
Investments in subsidiaries at December 31	**36,186**	**62,228**

In 2023, an impairment of DKK 24.1 million has been recognized on the investment in Zealand Pharma U.S. Inc. as a result of lost equity following the settlement of the Oberland Capital loan in May 2023, which Zealand Pharma A/S settled on behalf of Zealand Pharma U.S., Inc. Refer also to note 8 Financial items.

DKK thousand	Domicile	Ownership	Voting rights
Zealand Pharma A/S'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'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%

16 Inventories

Inventories were comprised as follows:

DKK thousand	2023	2022
Raw materials	7,935	1,286
Total	**7,935**	**1,286**

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

DKK thousand	2023	2022
Accumulated write-downs, January 1	-32,257	-12,813
Write-downs in the reporting period	-	-30,615
Utilization of write-downs	3,635	9,887
Reversal of write-downs	15,979	1,284
Accumulated write-downs, December 31	**-12,643**	**-32,257**

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

Notes to the Financial statements of the parent company.

17 Trade and other receivables

DKK thousand	2023	2022
Deposits	8,900	8,900
Trade receivables	987	-
Intercompany receivables	57,509	170,931
Receivables related to license and collaboration agreements	68,793	56,431
Other receivables	24,349	1,454
Prepaid expenses	33,497	54,083
Total trade and other receivables	**194,035**	**291,799**
Non-current	15,786	157,039
Current	178,249	134,760

In 2023 an impairment of DKK 271.9 million has been recognized on intercompany receivables from Zealand Pharma U.S., Inc. In May 2023, as mentioned in note 4.6 Borrowings, Zealand Pharma A/S settled the Oberland Capital loan with a one-time payment of USD 77.3 million (DKK 525.7 million) on behalf of Zealand Pharma U.S., Inc. As a result, equity was lost in Zealand Pharma U.S. Inc. which has triggered the impairment in 2023, refer to note 8 Financial items.

18 Trade and other payables

DKK thousand	2023	2022
Trade payables	90,352	51,803
Intercompany payables	12,521	1,425
Payable treasury shares	81,045	41,600
Employee benefits	48,009	50,275
Other payables	7,764	3,166
Accruals development projects	33,464	34,063
Total trade and other payables	**273,155**	**182,332**
Non-current	303	19,058
Current	272,852	163,274

19 Fees to auditors appointed at the annual general meeting

DKK thousand	2023	2022
Audit	2,475	4,880
Audit-related services and other assurance engagements	940	1,310
Other	-	389
Total fees	**3,415**	**6,579**

20 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 had provided floating charge collateral covering all assets in the company which could be collateralized, including shares in subsidiaries, as collateral for the debt to Oberland. On May 10, 2023, the Group settled the Oberland Capital loans in a one-time payment. With the final repayment, Oberland has released all rights to collateral provided for under the loan agreement.

Under the revolving credit facility (RCF) in Danske Bank, Zealand is required to have a minimum collateral value of 120% of the loan commitment (DKK 420 million) held in the designated custody accounts under management by Danske Asset Management and Zealand's designated cash accounts attached to the custody accounts. Zealand must also comply with a covenant on fulfilling certain information requirements. The pledges are described further in note 4.4 Cash and cash equivalents.

The EIB loan contains a negative pledge clause preventing Zealand Pharma A/S or any of its subsidiaries from creating or permitting to subsist any new security over any of its assets.

Please refer to note 6.4 Commitments in the consolidated financial statements for information on commitments.

Notes to the Financial statements of the parent company.

21 Transactions with related parties

Zealand Pharma A/S's related parties are the Board of Directors, Executive Management, and close members of the family of these persons. Refer to note 6.1 Remuneration of the Board of Directors and Executive Management in the consolidated financial statements. Refer to note 7 Information on staff and remuneration in these parent company financial statements for remuneration of the Executive Management.

The parent company had the following transactions with subsidiaries:

DKK thousand	2023	2022
Revenue	6,127	38,700
Research and development expenses	-23,323	-26,336
Sales and marketing expenses	-5,615	-32,285
General and administrative expenses	-20,468	-69,995
Financial items	9,701	5,609
Discontinued operations	-	-156,638
Receivables	-113,422	26,027
Payables	11,096	-57,653
Cash flows	-157,958	-
Total	**-293,862**	**-272,571**

22 Adjustments for non-cash items

DKK thousand	2023	2022
Depreciation, amortization and impairment losses	21,688	70,572
Deferred revenue	-	-67,584
Reversal of inventory write-down	-15,980	-
Share-based compensation expenses	55,130	51,286
Financial income	-52,417	-106,592
Financial expenses	334,133	79,149
Corporate tax	-5,591	-5,005
Exchange rate adjustments	-	-8,777
Adjustments for non-cash items in total	**336,963**	**13,049**

23 Changes in working capital

DKK thousand	2023	2022
Changes in accounts receivable	-4,304	-106,679
Changes in prepaid expenses	20,583	-
Changes in other receivables	-13,594	-
Changes in inventory	9,330	23,396
Changes in intercompany receivables	-157,958	-
Changes in accounts payable	40,832	29,469
Changes in other liabilities	20,723	-
Changes in other liabilities and provisions	-19,058	-
Changes in working capital in total	**-103,446**	**-53,814**

24 Significant events after the balance sheet date

Please refer to note 6.8 Subsequent events 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 2023 and 2022:

DKK thousand	2023	2022
Cash outflow from operating activities	-425,668	-942,311
Less purchase of property, plant and equipment	-11,241	-11,710
Free cash flow	**-436,909**	**-954,021**

Liquidity reserve

Zealand's liquidity reserve, classified as a non-IFRS liquidity measure includes assets held in cash, cash equivalents, marketable securities, and undrawn borrowing facilities. Management believes that this APM can provide stakeholders with valuable information regarding Zealand's ability to meet short-term obligations, navigating uncertain economic conditions and adding information about potential capital requirements (runway).

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 average total number of shares less weighted average total number of 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, 2023.

The consolidated financial statements and parent company financial statements have been prepared in accordance with IFRS Accounting 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, 2023, 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, 2023.

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, 2023 identified as 549300ITBB1ULBL4CZ12-2023-12-31-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, February 27, 2024

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 1 January – 31 December 2023, which comprise statement of loss, statement of comprehensive loss, statement of financial position, statement of cash flows statement of shareholder's equity and notes, including material accounting policy information, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with IFRS Accounting 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 31 December 2023 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2023 in accordance with IFRS Accounting 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 four years up until the financial year 2023.

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 2023. 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 research and development expenses and accruals related to Clinical Research Organisations

Zealand Pharma A/S engages with third-party clinical research organisations (CROs) for certain clinical development activities, including clinical trials. The diverse nature of these activities, along with varied contract terms, compensation arrangements, and impact from potential scope changes and the consequential impact on cost per patient and timelines, requires significant estimates and judgments by management in recognizing expenses and accruals for clinical development activities. Management has established CRO accrual models used to recognize the expenses for clinical development activities over the periods over which services are provided to the Group and the Parent Company and estimate clinical trial accruals at the balance sheet date. Refer to note 2.5 and 3.8 in the consolidated financial statements.

Given the significance of clinical trial expenses and the complexity associated with management's estimates and judgment in recognizing accruals for clinical development activities, including allocation of contract costs to clinical development phases, determination of clinical trial service periods, and the effect from changes to clinical trial scope, we considered the accounting for research and development expenses and accruals related to Clinical Research Organisations a key audit matter.

How our audit addressed the key audit matter

Our audit procedures related to research and development expenses and accruals related to Clinical Research Organisations included the following:

- Obtaining an understanding of Management's process for accounting for clinical development activities and controls related to monitoring services provided.
- Obtaining an understanding of terms and conditions of contractual arrangements with CROs along with ongoing development phases and their timelines through inspection of contracts, evidence supporting their execution and corroborative inquiries of management.
- Evaluation of the appropriateness of the methodology and accounting policies applied to comply with applicable accounting standards.
- Evaluation of CRO accrual models and test of key input data applied, including contract cost, patient enrolment data and treatment timelines by tracing to supporting evidence.
- Evaluation of key assumptions applied in the CRO models, including determination of variable costs, allocation of contract costs to development phases and timelines.
- Checking the arithmetical accuracy of the computations within the CRO accrual models and reconciling the models' output to the Group and Parent Company's financial records.
- Performing test of details, including analytical procedures, over research and development expenses to verify occurrence and appropriateness of recorded expenses.
- Examining transactions after balance sheet date to assess completeness and accuracy of the recorded transactions.
- Evaluation of appropriateness of the disclosures pertaining to accounting for research and development expenses and related accruals for compliance with applicable accounting standards.

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 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 by relevant law and regulations.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of relevant law and regulations. 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 IFRS Accounting 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 1 January – 31 December 2023 with the file name 549300ITBB1ULBL4CZ12-2023-12-31-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 1 January – 31 December 2023 with the file name 549300ITBB1ULBL4CZ12-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, February 27, 2024

EY Godkendt Revisionspartnerselskab

Christian Schwenn Johansen
State Authorised
Public Accountant
mne33234

Rasmus Bloch Jespersen
State Authorised
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Other information.

Company information.

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