Company announcement – No. 5 / 2017

Zealand announces full-year results in line with guidance and releases its Annual Report for 2016

Copenhagen, March 15, 2017 – Zealand Pharma A/S ("Zealand") (CVR No. 20 04 50 78) announces financial results in line with guidance and considerable progress for its product portfolio and business for the 12-month period from January 1 to December 31, 2016.

Financial results for the full year 2016

- Revenue of DKK 234.8 million (25% increase vs. 2015).
- Net operating expenses[1] of DKK 319.0 million (29% increase vs. 2015).
- Net loss of DKK 153.9 million (35% increase vs. 2015).
- The cash position amounted to DKK 642.0 million at December 31, 2016 (December 31, 2015: DKK 440.2 million). This includes restricted cash of DKK 318.7 million (December 31, 2015: DKK 21.4 million) held as collateral for the royalty bond.

Financial highlights for Q4 2016

- Revenue of DKK 180.5 million (8% increase vs. 2015).
- Net operating expenses of DKK 98.1 million (40% increase vs. 2015).
- Net profit of DKK 52.7 million (23% decrease vs. 2015).

Business highlights and updates for Q4 2016 and the period thereafter

- Soliqua™ 100/33 (insulin glargine 100 units/ml and lixisenatide 33 mcg/ml injection) was approved in the U.S. on November 22, 2016 and has been marketed by Sanofi in the U.S. from January 4, 2017.
- Suliqua™ was approved in the EU by the European Commission and is expected to be marketed by Sanofi in some EU countries in Q2 2017.
- Two Phase 2a trials initiated with dasiglucagon for potential use in an artificial pancreas system. Results from the trials are expected in Q2 2017.
- Patient recruitment completed for the Phase 2 trial with glepaglutide for the treatment of short bowel syndrome. Results from the Phase 2 trial are expected in the summer of 2017.
- Terms of USD 50 million royalty bond renegotiated as of March 15, 2017. 50% or DKK 175 million (USD 25 million) repaid, and restricted cash of DKK 175 million released to cash and cash equivalents.

Britt Meelby Jensen, President and CEO of Zealand, comments on the year:

"2016 was a successful year for Zealand. Two outlicensed products, Adlyxin® and Soliqua™ 100/33, both based on Zealand's invention lixisenatide, were approved in the U.S. and made available to patients by Sanofi in early 2017. This will reward Zealand with a steadily growing revenue stream in the form of milestone payments and royalties based on Sanofi's global sales in the coming years. And for the first time ever, we have three fully owned product candidates in Phase 2 development. Zealand retains full control over these product candidates, which have the potential to significantly increase the future value of Zealand.

[1] Net operating expenses consist of research, development and administrative expenses less operating income.

"Following our progress in 2016, we aim to create more value in 2017 through increased revenue from marketed products, by moving our own product candidates closer to the market and expanding our portfolio of new product candidates addressing specialty gastrointestinal and metabolic diseases with no or insufficient treatment, for the benefit of patients."

Financial guidance for 2017

For 2017, Zealand expects a continued increase in royalty payments from Sanofi. No specific guidance on the level of royalties can be provided, as Sanofi has not provided any guidance on expected 2017 Soliqua™100/33 and Suliqua™ sales.

Additional revenue of DKK 100 million is expected from event-driven partner-related milestones. DKK 70 million of this was received in January 2017.

Net operating expenses in 2017 are expected to be within the range DKK 390-410 million. The increase compared with 2016 is explained primarily by higher levels of clinical development costs associated with the advancement of glepaglutide and dasiglucagon.

The operating loss before royalty income/expenses is therefore expected to be within the range DKK 290-310 million.

Royalty bond

In December 2014, Zealand entered into a USD 50 million royalty bond financing arrangement, based on part of the royalties from lixisenatide as a stand-alone product. The bond carries an interest rate of 9.375%. As security for the royalty bond, certain milestone payments relating to lixisenatide have been held as collateral in the form of restricted cash. Today, Zealand announces that it has used restricted cash of USD 25 million (DKK 175 million) to repay half of the outstanding bond. Furthermore, additional restricted cash of USD 25 million (DKK 175 million) held as collateral for the bond has been released to Zealand in exchange for a parent company guarantee.

Following these transactions the outstanding royalty bond amounts to USD 25 million (DKK 175 million) and cash and cash equivalents have increased by USD 25 million (DKK 175 million).

Zealand's Annual Report 2016

This announcement is a summary and is qualified by, and should be read in conjunction with, Zealand's Annual Report for 2016, published today and attached to this announcement in a PDF version. A PDF version of the Annual Report can also be accessed and downloaded from the home page of Zealand's website or directly using the following link: http://annualreport2016.zealandpharma.com/. Under the same link, there will also be access to a video with President and CEO Britt Meelby Jensen talking about aspects of Zealand's business and outlook.

Printed versions of the Annual Report 2016 will be available from the beginning of April, and a printed copy can be requested by contacting Zealand at investors@zealandpharma.com.

Conference call with Zealand's management today at 16:00 CET

Zealand's management will be hosting a conference call today at 16:00 CET to present the full-year results and the Annual Report for 2016. Participating in the call will be President and Chief Executive Officer Britt Meelby Jensen and Senior Vice President and Chief Financial Officer Mats Blom. The presentation will be followed by a Q&A session.

The conference call will be conducted in English, and the dial-in numbers are:

DK standard access	+45 3271 1658
U.K. and international	+44 (0) 20 3427 1901
U.S. (free dial-in)	+1 212 444 0896
Passcode	7623825

A live audio webcast of the call, including an accompanying slide presentation, will be available via the following link, http://edge.media-server.com/m/p/ato4d6zr, also accessible from the Investor section of Zealand's website (www.zealandpharma.com). Participants are advised to register for the webcast approximately 10 minutes before the start.

A recording of the event will be made available on the Investor section of Zealand's website following the call.

For further information, please contact:

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About Zealand Pharma A/S

Zealand Pharma A/S (Nasdaq Copenhagen: ZEAL) ("Zealand") is a biotechnology company focused on the discovery, design and development of innovative peptide-based medicines. Zealand has a portfolio of medicines and product candidates under license collaborations with Sanofi, Boehringer Ingelheim and Helsinn, and a pipeline of proprietary product candidates that primarily target specialty diseases with significant unmet needs.

Zealand's first invented medicine, lixisenatide, a once-daily prandial GLP-1 receptor agonist for the treatment of type 2 diabetes, is licensed to Sanofi. Lixisenatide is marketed as Adlyxin® in the U.S. and Lyxumia® in the rest of the world. Lixisenatide has been developed in a combination with basal insulin glargine (Lantus®) and is marketed as Soliqua™ 100/33 in the U.S. and has been approved as Suliqua™ in Europe.

Zealand's pipeline includes: dasiglucagon* (ZP4207, single-dose rescue treatment) for acute, severe hypoglycemia (Phase 2); glepaglutide* (ZP1848) for short bowel syndrome (Phase 2); dasiglucagon* (ZP4207, multiple-dose version) intended for use in a dual-hormone artificial pancreas system for better hypoglycemia control and diabetes management (Phase 2) and other earlier-stage clinical and preclinical peptide therapeutics.

Zealand is based in Copenhagen (Glostrup), Denmark. For further information about the Company's business and activities, please visit www.zealandpharma.com or follow Zealand on Twitter @ZealandPharma.

* Dasiglucagon and glepaglutide are proposed International Nonproprietary Names (pINN).

Consolidated key figures

DKK thousand	Q4 2016	Q4 2015 Restated[1]	FY 2016	FY 2015 Restated[1]
Revenue	180,506	167,107	234,778	187,677
Royalty expenses	-24,368	-19,541	-31,459	-22,267
Research and development expenses	-76,904	-58,774	-268,159	-217,741
Administrative expenses	-21,639	-13,517	-52,503	-41,824
Other operating income	446	2,041	1,697	12,828
Operating result	**58,041**	**77,316**	**-115,646**	**-81,327**
Net financial items	-7,600	-10,848	-43,764	-38,505
Result before tax	**50,441**	**66,468**	**-159,410**	**-119,832**
Income tax benefit[2]	2,301	2,320	5,500	5,875
Net result for the period	**52,742**	**68,788**	**-153,910**	**-113,957**
Comprehensive income/loss for the period	**52,742**	**68,788**	**-153,910**	**-113,957**
Earnings/loss per share – DKK				
Basic earnings/loss per share	2.07	2.98	-6.33	-4.94
Diluted earnings/loss per share	2.06	2.91	-6.33	-4.94

STATEMENT OF FINANCIAL POSITION	Dec. 31, 2016	Dec. 31, 2015 Restated[5]
Cash and cash equivalents	323,330	418,796
Restricted cash[3]	318,737	21,403
Total assets	694,626	636,208
Share capital ('000 shares)	26,142	24,353
Equity	278,194	252,231
Equity ratio[4]	0.40	0.40
Royalty bond	332,243	312,951

CASH FLOW	FY 2016	FY 2015 Restated[5]
Cash outflow/inflow from operating activities	40,904	-224,767
Cash outflow/inflow from investing activities	-299,958	-1,594
Cash outflow/inflow from financing activities	157,146	96,413
Purchase of property, plant and equipment	-2,600	-4,040
Free cash flow[5]	38,304	-228,807

OTHER	FY 2016	FY 2015
Share price (DKK)	106.5	151.5
Market capitalization[6] (DKKm)	2,784	3,689
Equity per share[7] (DKK)	11.69	10.60
Average number of employees	124	110
Products in clinical development (year-end)[8]	6	6
Products under regulatory review (year-end)[9]	1	2
Medicines on the market[10]	1	1

[1]Figures for the year ended December 31, 2015 have been restated due to certain misstatements. See Note 1 to the financial statements.
[2] According to Danish tax legislation, Zealand is eligible to receive DKK 5.5 million in cash relating to the tax loss in 2016.
[3] Restricted cash serves as collateral for the royalty bond issued in 2014.
[4] Equity ratio is calculated as equity at the balance sheet date divided by total assets at the balance sheet date.
[5] Free cash flow is calculated as cash flow from operating activities less purchase of property, plant and equipment.
[6] Market capitalization is calculated as outstanding shares at the balance sheet date times the share price at the balance sheet date.
[7] Equity per share is calculated as shareholders' equity divided by total number of shares less treasury shares.
[8] Please refer to our pipeline on page 19.
[9] On January 17, 2017, Suliqua™ was approved in the EU by the European Commission, and the launch is expected in Q2 2017.
[10] In November 2016, the FDA approved Soliqua™ 100/33, and the product was launched in January 2017.