Company Announcement
No. 20/2012

Zealand Pharma A/S – Interim report for first nine months 2012 (unaudited)

– Positive net results of DKK 89 (EUR 12) million for the period

– Revenue from milestone payments of DKK 224 (EUR 30) million

– Cash and securities of DKK 498 (EUR 67) million on 30 September 2012

– Pipeline progress, including advances for diabetes products; Lyxumia® (lixisenatide), fix-flex LixiLan combination device and ZP2929

– On Lyxumia®, a response from the European regulators and a US filing are expected before end 2012

– Revenue guidance for 2012 unchanged, while guidance for a positive net result has been adjusted to DKK 30-40 (EUR 4-5) million from DKK 37-57 (EUR 5-8) as a reflection of an increased activity level in Q4

Copenhagen, 13 November 2012 – Zealand Pharma A/S (NASDAQ OMX Copenhagen: ZEAL) reports higher revenues from partner payments, a net profit and an increase in cash and securities combined with important progress for the company's drug pipeline for the nine month period 1 January to 30 September 2012.

Financial Highlights for the first nine months of 2012

- Revenue of DKK 223.6 (EUR 30.0) million consisting of milestone payments from license and collaboration partners, including Sanofi, Boehringer Ingelheim and Helsinn (9m 2011: DKK 120.0 (EUR 16.1) million).
- Royalty expenses of DKK 15.6 (EUR 2.1) million (9m 2011: DKK 0.0 (EUR 0.0) million).
- Net operating expenses of DKK 120.2 (EUR 16.1) million (9m 2011: DKK 90.8 (EUR 12.2) million).
- Net results of DKK 88.8 (EUR 11.9) million (9m 2011: DKK 32.5 (EUR 4.4) million).
- Cash and securities as at 30 September 2012 amounted to DKK 498.3 (EUR 66.9) million (30 Sept 2011: DKK 441.9 (EUR 59.3) million).

Pipeline Highlights in Q3 2012 and the period thereafter

- Lyxumia® (lixisenatide) for Type 2 diabetes (partnership with Sanofi):
  - In October, Sanofi presented a series of clinical data on Lyxumia® (lixisenatide) at the European Association for the Study of Diabetes (EASD) 48th Annual Meeting in Berlin, Germany, supporting the potential of this Zealand Pharma invented, once-daily prandial GLP-1 agonist as a new treatment for Type 2 diabetes. The presented data include results from the GetGoal-L and

GetGoal Duo I Phase III studies, demonstrating the efficacy and safety of Lyxumia® as add-on treatment to basal insulin, including Lantus®.

- Lyxumia® has been filed for registration in Europe (November 2011) and a recommendation from the Committee for Human Medicinal Products (CHMP) under EMA is expected before the end of 2012.
- Lixisenatide has also been filed for registration in Japan (June 2011) and a filing in the US is expected in December 2012.

- Fix-flex single injection device for the combination of Lantus® and Lyxumia® for Type 2 diabetes (partnership with Sanofi):
  - The development of the fix-flex device for the combination of Lantus® and Lyxumia® delivered in a single injection has entered phases for industrialization, validation, usability and manufacturing.
  - The device is expected to be available mid-2013 for Phase III initiation of the combination product.

- ZP2929 for Type 2 diabetes and/or obesity (partnership with Boehringer Ingelheim):
  - In September, ZP2929, a dual acting glucagon/GLP-1 agonist was advanced into clinical development with the start of a randomized, double-blind Phase I study to evaluate the safety and tolerability of single ascending daily doses of the compound in healthy subjects.
  - The Phase I study is conducted by Zealand Pharma in the United States under an Investigational New Drug (IND) application with the FDA and is progressing according to plan. Completion of enrolment in the study is expected in Q1 2013.
  - The license and R&D collaboration with Boehringer Ingelheim on dual acting glucagon/GLP-1 agonists is progressing well. During the first 17 months of collaboration, Zealand Pharma has received upfront-, milestone, and other payments including cost reimbursements and research funding of EUR 29 (DKK 216) million. Based on the current development plan for ZP2929, Zealand Pharma may be eligible to receive additional payments of up to EUR 14 (DKK 104) million in the next 12 months.

- Dual acting GLP-1-gastrin agonist, ZP3022 for diabetes
  - In October, at the EASD 48th Annual Meeting Zealand Pharma presented new preclinical data on ZP3022, a peptide from the company's program on dual acting GLP-1-gastrin agonists. The data presented demonstrate that in disease models of diabetes, treatment with ZP3022 resulted in a significant increase in pancreatic beta-cell mass associated with a significant improvement in glycemic control.

David Solomon, CEO and President of Zealand Pharma, commented on the report:

"*We have continued to make good progress in our peptide-drug pipeline throughout 2012, including the advance of ZP2929, the lead candidate in our partnership with Boehringer Ingelheim, into clinical development for the treatment of Type 2 diabetes and/or obesity – and based on revenue from our partnering activities we are in line to record financial profits for the second consecutive year.*
Our company now stands before a transformational event as we await the imminent outcome of the European regulatory authorities' review of the first Zealand Pharma invented drug, lixisenatide, alongside a planned regulatory filing in the US in December. Supported by our partner, Sanofi's strong position and deep

understanding of patient needs, we are confident that lixisenatide will find an important role in the management of Type 2 diabetes."

Financial guidance for 2012

Zealand Pharma retains its revenue guidance for 2012 of DKK 224 (EUR 30) million with related royalty expenses of DKK 16 (EUR 2) million.

Full year guidance on net operating expenses has been adjusted to a range of DKK 167-177 (EUR 22-24) million from DKK 150-170 (EUR 20-23) million as a reflection of an increased activity level in Q4. As a result, Zealand Pharma now expects a positive net result for 2012 at a range of DKK 30-40 (EUR 4-5) million, compared to previously expected DKK 37-57 (EUR 5-8) million.

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Conference call

Zealand Pharma will host a conference call today, at 14:00 CET/ 8:00 EST. David Solomon, President and Chief Executive Officer, Mats Blom, Chief Financial Officer and Hanne Leth Hillman, Vice President for IR and Corporate Communication, will host the call to present the Interim report for the first 9 months of 2012 which will be followed by a Q&A session. The conference call will be conducted in English and the dial-in numbers are as follows:

DK: +45 3272 9273
UK and international: +44 (0) 20 3003 2666
US: +1 212 999 6659

Pass code for all participants: Zealand Pharma

A live audio cast of the call including an accompanying slide presentation will be available via the following link: http://livecast.wehay.com/stockontv/121113/zealandpharma/, which can also be accessed from the investor section of the company's website (www.zealandpharma.com). Participants are advised to register for the audio cast approximately 10 minutes before the start.

A replay of the event will also be available on the company's website following the call.

For further information, please contact:

David H. Solomon, President and Chief Executive Officer
Tel: +45 2220 6300

Hanne Leth Hillman, Vice President and Head of IR & Corporate Communication
Tel: +45 5060 3689, email: hlh@zealandpharma.com

About Zealand Pharma

Zealand Pharma A/S (NASDAQ OMX Copenhagen: ZEAL) is a biotechnology company based in Copenhagen, Denmark. Zealand Pharma specializes in the discovery, optimization and development of novel peptide drugs and has a broad and mature pipeline of drug candidates identified through its own drug discovery activities. The company's focus lies in the field of diabetes/metabolic diseases, and its lead drug invention is lixisenatide (Lyxumia®)[1], a once-daily GLP-1 agonist,

which is licensed to Sanofi for the treatment of Type 2 diabetes. In November 2011, Sanofi filed for registration of lixisenatide in Europe and regulatory filing in the United States is expected in Q4 2012.

Zealand Pharma has a partnering strategy for the development and commercialization of its products and in addition to the collaboration with Sanofi in Type 2 diabetes, the company has partnerships with Boehringer Ingelheim in diabetes/obesity, Abbott in acute kidney injury and Helsinn Healthcare in chemotherapy induced diarrhea. Zealand Pharma focuses its activities in disease areas where existing treatments fail to adequately serve patient needs and where the market potential for improved treatments through the use of peptide drugs is high. For further information: www.zealandpharma.com.

1 Lyxumia is the proprietary name submitted to the EMA for lixisenatide. The proprietary name for lixisenatide in the United States is under consideration. Lixisenatide is not currently approved or licensed anywhere in the world.

Key Figures for the group

The Board of Directors and Executive Management have approved this interim report containing condensed financial information for the first nine month period of 2012 ending 30 September 2012. The report is prepared in accordance with IAS 34 as endorsed by the EU and the additional Danish disclosure requirements for listed companies. The accounting principles are unchanged in the period and reference is made to the Annual Report 2011 for a more detailed description of the accounting policies.

DKK thousands	2012	2011	2012	2011	2011
	1.7 - 30.9	1.7 - 30.9	1.1 - 30.9	1.1 - 30.9	1.1 - 31.12
INCOME STATEMENT AND COMPREHENSIVE INCOME	**Q3**	**Q3**	**Q1 - Q3**	**Q1 - Q3**	**Full year**
Revenue	37,368	670	223,565	119,968	142,284
Royalty expenses	0	0	-15,561	0	-112
Gross profit	**37,368**	**670**	**208,004**	**119,968**	**142,172**
Research and development expenses	-39,291	-18,258	-131,571	-89,044	-126,938
Administrative expenses	-6,459	-7,842	-17,179	-25,327	-34,905
Other operating income	8,343	6,213	28,503	23,587	28,435
Operating result	**-39**	**-19,217**	**87,757**	**29,184**	**8,764**
Net financial items	-544	4,907	1,079	3,358	4,613
Net result for the period	**-583**	**-14,310**	**88,836**	**32,542**	**13,377**
Comprehensive income for the period	**-583**	**-14,310**	**88,836**	**32,542**	**13,377**
Earnings per share - basic (DKK)	1.32	-0.64	3.93	1.47	0.60
Earnings per share - diluted (DKK)	1.30	-0.64	3.88	1.46	0.60

			2012	2011	2011
BALANCE SHEET			**30 Sep**	**30 Sep**	**31 Dec**
Cash and cash equivalents			371,673	291,836	278,342
Securities			126,654	150,103	149,358
Total assets			564,085	485,134	469,481
Share capital ('000 shares)			23,193	22,871	23,193
Shareholder's equity			536,664	447,263	441,397
Equity / assets ratio			0.95	0.92	0.94

	2012	2011	2012	2011	2011
	1.7 - 30.9	1.7 - 30.9	1.1 - 30.9	1.1 - 30.9	1.1 - 31.12
CASH FLOW	**Q3**	**Q3**	**Q1 - Q3**	**Q1 - Q3**	**Full year**
Depreciation	1,301	1,023	3,805	2,957	4,130
Change in working capital	-28,490	14,579	-24,542	-22,115	-30,943
Investments in fixed assets	-165	-3,683	-4,490	-10,171	-11,475
Free cash flow	-26,605	-3,118	70,671	9,439	-13,281

			2012	2011	2011
OTHER			**30 Sep**	**30 Sep**	**31 Dec**
Share price DKK			99.00	49.90	57.00
Equity per share DKK			23.72	20.04	19.51
Average number of employees			104	91	91
Compounds in clinical development (end period)			7	6	6

Financial Review

(Comparative figures for the same period last year are shown in brackets)

Income statement
The net result for the first nine months was a profit of DKK 88.8 million (32.5). The increase in profit is mainly a result of milestone payments received under the license agreements with Sanofi, Boehringer Ingelheim and Helsinn as well as former partner Action Pharma.

Revenue
Revenue for the first nine months of 2012 increased to DKK 223.6 million (120.0), consisting of milestone payments from the company's partners Sanofi, Boehringer Ingelheim, Helsinn and former partner Action Pharma. Revenue for the same period in 2011 came from milestone payments from Boehringer Ingelheim and Helsinn.

Royalty expenses
Royalty expenses for the period was DKK 15.6 million (0.0) and related to the milestone payments received from Sanofi, Helsinn and former partner Action Pharma.

Research and development expenses
Research and development expenses for the period amounted to DKK 131.6 million (89.0) which were in line with expectations. R&D expenses relating to ZP2929 and the research collaboration with Boehringer Ingelheim have been refunded and with the refunding recorded as other operating income, see below.

Administrative expenses
Administrative expenses for the period amounted to DKK 17.2 million (25.3), which were in line with expectations. The decrease was mainly due to lower legal costs as compared to the same period in 2011 when the Boehringer Ingelheim agreement was negotiated and signed.

Other operating income
Other operating income for the period amounted to DKK 28.5 million (23.6) mainly associated with refunding from Boehringer Ingelheim of development costs for ZP2929 and costs related to the research collaboration.

Operating result
Operating result for the period was a profit of DKK 87.8 million (29.2).

Net financial items
Net financial items for the period amounted to DKK 1.1 million (3.4). Net financial items consist of interest income, banking fees and regulations based on changes in exchange rate.

Result from ordinary activities before tax
Result from ordinary activities before tax for the period amounted to a profit of DKK 88.8 million (32.5).

Tax on ordinary activities
No tax on the result from ordinary activities has been recorded since Zealand Pharma for 2012 can offset any tax through tax losses carry forward from previous years.

No deferred tax asset has been recognized in the balance sheet due to uncertainty as to whether tax losses can be utilized.

Net result
Net result for the first nine months of 2012 amounted to a profit of DKK 88.8 million (32.5).

Equity
Equity stood at DKK 536.7 million (447.3) at the end of the period, corresponding to an equity ratio of 95 % (92). The increase in equity is a result of profits made during the last 12 months as well as the exercise of warrants in December of 2011.

Capital expenditure
Investments in new laboratory equipment for the period amounted to DKK 4.5 million (10.2).

Cash flow
As of 30 September 2012, Zealand Pharma had cash and cash equivalents including securities of DKK 498.3 million (441.9). The cash flow from operating activities amounted to DKK 75.2 million (19.6), and cash flow from investing activities to DKK 18.2 million (-110.7). The total cash flow for the first nine months of 2012 amounted to DKK 93.3 million (-91.5).

Key financial developments in the third quarter of 2012
Revenue in Q3 amounted to DKK 37.4 million (0.7), and relates to payments received in connection with the advance of ZP2929 into clinical development.

Total operating expenses increased to DKK 45.8 million (26.1) reflecting a higher activity level within R&D partly as a result of the advancement of ZP2929 and the research collaboration with Boehringer Ingelheim. Of the operating expenses in Q3 DKK 8.3 million (6.2) have been financed under the Boehringer Ingelheim collaboration.

Net result for Q3 amounted to DKK -0.6 million (-14.3).

Financial guidance for 2012
Zealand Pharma retains its revenue guidance for 2012 of DKK 224 (EUR 30) million with related royalty expenses of DKK 16 (EUR 2) million.

Full year guidance on net operating expenses has been adjusted to a range of DKK 167-177 (EUR 22-24) million from DKK 150-170 (EUR 20-23) million as a reflection of an increased activity level in Q4. As a result, Zealand Pharma now expects a positive net result for 2012 at a range of DKK 30-40 (EUR 4-5) million, compared to previously expected DKK 37-57 (EUR 5-8) million.

Risk factors
This interim report contains forward-looking statements, including forecasts of future expenses as well as expected business related events. Such statements are subject to risks and uncertainties as various factors, some of which are beyond the control of Zealand Pharma, may cause actual results and performance to differ materially from the forecasts made in this interim report. Without being exhaustive, such factors include e.g. general economic and business conditions, including legal issues, scientific and clinical results, fluctuations in currencies etc. A more extensive description of risk factors can be found in the 2011 Annual Report under the section Risk management and internal control.

Management's Statements on the Interim Report
The Board of Directors and the Executive Management have today considered and adopted the interim report of Zealand Pharma A/S for the period 1 January – 30 September 2012. The interim report has not been audited or reviewed by the company's independent auditor.

The report is prepared in accordance with IAS 34 as endorsed by the EU and the additional Danish disclosure requirements for listed companies. The accounting principles are unchanged in the first nine months of 2012 and reference is made to the Annual Report 2011 for a more detailed description of the accounting policies.

In our opinion, the interim report gives a true and fair view of the Group's assets, equity and liabilities and financial position at 30 September 2012 and of the results of the Group's operations and the Group's cash flows for the period 1 January – 30 September 2012.

Moreover, in our opinion, the Management's Review and Financial Review gives a true and fair view of developments in the Group's operations and financial position and describes the most significant risks and uncertainty factors that may affect the Group.

Copenhagen, 13 November 2012

Executive Management

David H. Solomon President and CEO	Mats Blom SVP and CFO	Arvind M. Hundal SVP and CBO
Christian Grøndahl EVP and CSO	John Hyttel SVP and COO	

Board of Directors

Jørgen Lindegaard Chairman	Daan J. Ellens Vice chairman	Peter Benson
Alain Munoz	Florian Reinaud	Jutta af Rosenborg
Michael Owen	Christian Thorkildsen	Helle Størum
Hanne Heidenheim Bak		

CONSOLIDATED INCOME STATEMENT (DKK '000)	2012 Q3	2011 Q3	2012 Q1 - Q3	2011 Q1 - Q3	2011 Full year
Revenue	37,368	670	223,565	119,968	142,284
Royalty expenses	0	0	-15,561	0	-112
Gross profit	**37,368**	**670**	**208,004**	**119,968**	**142,172**
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Administrative expenses	-6,459	-7,842	-17,179	-25,327	-34,905
Other operating income	8,343	6,213	28,503	23,587	28,435
Operating result	**-39**	**-19,217**	**87,757**	**29,184**	**8,764**
Financial income	211	2,615	2,776	5,317	6,564
Financial expenses	-755	2,292	-1,697	-1,959	-1,951
Result from ordinary activities before tax	**-583**	**-14,310**	**88,836**	**32,542**	**13,377**
Tax on ordinary activities	0	0	0	0	0
Net result for the period	**-583**	**-14,310**	**88,836**	**32,542**	**13,377**
Comprehensive income for the period	**-583**	**-14,310**	**88,836**	**32,542**	**13,377**
Earnings per share - basic (DKK)	1.32	-0.64	3.93	1.47	0.60
Earnings per share - diluted (DKK)	1.30	-0.64	3.88	1.46	0.60

CONSOLIDATED BALANCE SHEET (DKK '000)	2012 30 Sep	2011 30 Sep	2011 31 Dec
ASSETS			
Plant and machinery	15,814	15,241	14,856
Other fixtures and fittings, tools and equipment	505	383	543
Leasehold improvements	2,235	2,117	1,968
Fixed assets under construction	4	0	507
Deposits	2,538	2,493	2,493
Non current assets total	**21,096**	**20,234**	**20,367**
Trade receivables	37,257	18,901	14,894
Prepaid expenses	5,676	2,544	1,080
Other receivables	1,729	1,516	5,440
Securities	126,654	150,103	149,358
Cash and cash equivalents	371,673	291,836	278,342
Current assets total	**542,989**	**464,900**	**449,114**
Total assets	**564,085**	**485,134**	**469,481**
LIABILITIES AND EQUITY			
Share capital	23,193	22,871	23,193
Retained earnings	513,471	424,392	418,204
Equity total	**536,664**	**447,263**	**441,397**
Trade payables	8,288	9,401	8,592
Prepayment from customers	7,522	8,762	9,284
Other liabilities	11,611	19,708	10,208
Current liabilities	**27,421**	**37,871**	**28,084**
Total liabilities	**27,421**	**37,871**	**28,084**
Total equity and liability	**564,085**	**485,134**	**469,481**

CONSOLIDATED STATEMENT OF CASH FLOWS (DKK '000)	2012 Q1 - Q3	2011 Q1 - Q3	2011 Full year
Profit / loss for the period	88,836	32,542	13,377
Adjustments	9,157	7,638	12,372
Change in working capital	-24,542	-22,115	-30,943
Cash flow from operating activities before financing items	**73,451**	**18,065**	**-5,194**
Financial income	3,302	3,504	5,339
Financial expenses paid	-1,592	-1,959	-1,951
Cash flow from operating activities	**75,161**	**19,610**	**-1,806**
Change in deposit	-45	-53	-53
Investments in fixed assets	-4,490	-10,171	-11,475
Purchase of securities	22,704	-100,430	-99,685
Cash flow from investing activities	**18,169**	**-110,654**	**-111,213**
Capital increase	0	0	8,482
Repurchase of own shares	0	-425	-426
Cash flow from financing activities	**0**	**-425**	**8,056**
Decrease / increase in cash and cash equivalents	**93,330**	**-91,469**	**-104,963**
Cash and cash equivalents at beginning of period	278,343	383,305	383,305
Cash and cash equivalents at end of period	**371,673**	**291,836**	**278,342**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DKK '000)	Share capital	Retained earnings	Total
Equity at 1 January 2012	**23,193**	**418,204**	**441,397**
Warrants compensation expenses	0	6,431	6,431
Comprehensive income for the period	0	88,836	88,836
Equity at 30 September 2012	**23,193**	**513,471**	**536,664**
Equity at 1 January 2011	**22,871**	**384,237**	**407,108**
Warrants compensation expenses	0	7,613	7,613
Comprehensive income for the period	0	32,542	32,542
Equity at 30 September 2011	**22,871**	**424,392**	**447,263**

Changes in share capital	
Share capital at 31 December 2006	**17,682**
Capital increase at 23 November 2010	4,337
Capital increase at 9 December 2010	852
Capital increase at 12 December 2011	322
Share capital at 31 December 2011	**23,193**
Share capital at 30 September 2012	**23,193**