Company Announcement
No. 19/2014

Zealand raises USD 50 / DKK 300 million in a royalty bond financing

Unlocking part of the value of lixisenatide (Lyxumia®) to accelerate and broaden the proprietary pipeline

- **Additional funding secured to grow Zealand's proprietary pipeline, including the planned full clinical development of the ready-to-use glucagon rescue pen for severe hypoglycemia in diabetes patients**
- **The financing is provided on 86.5% of Zealand's future annual revenue on stand-alone lixisenatide (Lyxumia®) until the bond is fully repaid. Thereafter, all further revenue will be retained by Zealand**
- **In the transaction, bond investors were presented with a Zealand commissioned healthcare consultancy forecast, implying a Net Present Value of the projected stand-alone lixisenatide (Lyxumia®) revenue stream to Zealand of USD 250 / DKK 1,500 million**
- **No potential future royalty revenue on LixiLan is included as part of the financing**
- **Including net proceeds from the financing, Zealand expects 2014 year-end cash and securities of DKK 520 million**

Copenhagen, 12 December 2014 – Zealand Pharma A/S ("Zealand") (Nasdaq Copenhagen: ZEAL) today announces that the company has raised USD 50 / DKK 300 million in a non-dilutive, non-recourse bond structured financing (the "Financing") backed by stand-alone lixisenatide (Lyxumia®) royalties. The Financing is provided by Athyrium Capital Management and its funds, a U.S.-based specialist healthcare investment manager. Credit Suisse acted as sole structuring advisor and placement agent in the transaction.

The Financing is designed in line with Zealand's growth strategy to underpin capital resources and support the advancement and expansion of the company's pipeline of novel proprietary medicines. This includes the novel, stable glucagon analogue, ZP4207, currently in clinical Phase I development. Zealand believes this product can offer important advantages as a "ready-to-use" rescue pen for the treatment of severe hypoglycemia, an acute and life-threatening condition associated with diabetes. The company plans to undertake the full clinical development and retain all value of ZP4207 in-house through to commercialization. Results from Phase I are expected

mid-2015 and based on a planned expedited development program, first regulatory filing of this Zealand therapeutic could be as soon as early 2018. As other potential sources of pipeline value growth, Zealand is investigating clinical stage in-licensing and acquisition opportunities. Securing additional capital resources is key also for such transactions to move forward.

The royalty bond carries an interest rate of 9.375% annually, and the combined annual payments of interest and principal are limited in recourse to 86.5% of Zealand's future annual revenue on lixisenatide as stand-alone product under its license agreement with Sanofi, until the bond is repaid in full. Potential future royalty revenue on LixiLan is not part of the Financing

Commenting on the lixisenatide royalty backed financing and its implications for Zealand, **David Solomon, President and CEO of Zealand, said:**

"This royalty bond financing is an important step to further grow the value of Zealand's proprietary pipeline in line with the strategy. At the same time, we believe the transaction validates lixisenatide's potential as a stand-alone medicine. The design of the financing ensures that only part of the estimated value of Zealand's future revenue on lixisenatide is monetized at this point to ensure additional funding for accelerated development of key proprietary Zealand medicines as well as potential further pipeline expansion. At the same time, Zealand retains important lixisenatide revenue upside, including the full potential of future LixiLan royalties."

Laurent Hermouet, partner at Athyrium, added: "*Athyrium is thrilled to provide growth capital to Zealand using an innovative and flexible structure anchored by Lyxumia® sales growth and continued success of the product*."

Lixisenatide (ex-US trademark Lyxumia®) is a once-daily prandial GLP-1 agonist invented by Zealand for the treatment of Type 2 diabetes, and developed and marketed by Sanofi under a global license agreement. Lyxumia® is approved in over 50 countries and launched in more than 20 countries worldwide. In the U.S., Sanofi expects to file a New Drug Application (NDA) for lixisenatide in the summer of 2015. Under the same license agreement, Sanofi has LixiLan, a once daily fixed-ratio single injection combination of lixisenatide and Lantus®, in Phase III development with expected NDA filing as early as end 2015. Zealand is entitled to milestone payments and tiered, low double-digit percentage royalties of Sanofi's global sales of lixisenatide as well as fixed low double-digit percentage royalties of global sales of LixiLan. Zealand pays 13.5% of its incoming revenue on all lixisenatide products to third parties.

As part of the transaction, Zealand commissioned a lixisenatide sales forecast by an independent US-based healthcare consultancy firm. This forecast created the basis for presenting bond investors with an implied Net Present Value of the projected remaining incoming milestone and royalty revenue on lixisenatide as a stand-alone product to Zealand of USD 250 / DKK 1,500 million.

The royalty bond financing – Terms and conditions

Zealand has raised USD 50 / DKK 300 million in a non-dilutive and non-recourse bond financing backed by 86.5% of the future annual royalties and other payments which the company is entitled to on lixisenatide as stand-alone product under its license agreement with Sanofi. Repayment of the bond is based solely on lixisenatide stand-alone royalty revenue with no recourse to future

royalty revenue on LixiLan. Regulatory milestone payments, to which Zealand is entitled on lixisenatide and LixiLan, will as part of the Financing be placed in a collateral reserve account, which can never exceed the remaining principal on the loan, and which will be released to Zealand upon full repayment of the bond.

The bond carries an annual interest rate of 9.375% and the repayment time is expected to be 3.3 years, based on a forecast of lixisenatide net sales presented in a third party US-based healthcare consulting firm's report, commissioned by Zealand. Upon full repayment of the bond, all further future lixisenatide revenue will be fully retained by Zealand.

The Financing is provided by Athyrium Capital Management and its funds in the U.S and implemented by way of two newly formed Zealand wholly owned subsidiaries (Special Purpose Vehicles, or "SPV"s). Credit Suisse acted as sole structuring advisor and sole placement agent in the transaction, Plesner and Dechert L.L.P. acted as legal advisors to Zealand, and Cadwalader, Bech Bruun and Allen & Overy acted as legal advisors to Credit Suisse.

The net proceeds, after deduction of transaction related expenses, to Zealand from the Financing amount to USD 45 / DKK 270 million. As part of this amount, USD 3.5 / DKK 21 million has been allocated as a bond interest payment reserve, the unused balance of which will be released to Zealand upon certain conditions being met.

Financial outlook for 2014 and cash position

For 2014, Zealand retains its expectations of revenue from milestone payments of DKK 133 (EUR 18) million from Sanofi, Boehringer Ingelheim and Helsinn Healthcare.

In addition, the company receives revenue in the form of Lyxumia® sales royalties, which amounted to DKK 14.1 (EUR 1.9) million for the first nine months of the year. Further royalty revenue on Lyxumia is expected for Q4, but no guidance is provided for the level of royalty revenues for the full year as Sanofi has given no guidance on 2014 sales.

The Financing has no impact on Zealand's expected net operating expenses of DKK 215 (EUR 32) million in 2014.

Including net proceeds from the Financing, Zealand expects end-year 2014 cash and securities of DKK 520 million.

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Conference Call

Today, Friday 12 December at 1400 CET/ 0800 EDT, Zealand will host a conference call to present the royalty bond financing, followed by a Q&A session. Participating in the call will be David Solomon, President and CEO, Mats Blom, CFO, and Hanne Leth Hillman, Vice President and Head of IR and Corporate Communications.

The conference call will be conducted in English and can be accessed via the following numbers:

DK: + 45 3272 8018
US: + 1 866 6828 490
UK and international: +44 (0) 1452 555 131

A live audio cast of the call including an accompanying slide presentation will be available before the call via the following link: http://edge.media-server.com/m/p/qnnejyj2

The audio cast can also be accessed from the investor section of Zealand's website (www.zealandpharma.com) and participants are advised to register approximately 10 minutes before the call starts. An on-demand version of the audio cast will also be available on the website following the call.

For further information, please contact:

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About Athyrium Capital Management

Athyrium is a dedicated healthcare investment manager with multiple funds. Athyrium invests worldwide in a wide range of financial instruments including equities, structured credit and royalties as well as select special situations.

For further information: www.athyrium.com

About Zealand Pharma

Zealand Pharma A/S ("Zealand") (Nasdaq Copenhagen: ZEAL) is a biotechnology company based in Copenhagen, Denmark. Zealand has leading expertise in the discovery, design and development of novel peptide medicines and possesses in-house competences also in clinical trial design and management with a therapeutic focus on metabolic diseases and acute care indications. The company is advancing a proprietary pipeline of novel medicines alongside a partnered product and development portfolio.

Zealand's first invented medicine, lixisenatide, a once-daily prandial GLP-1 agonist for the treatment of Type 2 diabetes, is marketed globally (ex-US) as Lyxumia® and in Phase III development as a single-injection combination with Lantus® (LixiLan), both under a global license agreement with Sanofi. US regulatory filing of Lyxumia® is planned for summer 2015 and of LixiLan as early as end 2015.

Zealand proprietary pipeline includes danegaptide (prevention of ischemic reperfusion injury) and the stable glucagon product, ZP4207 (treatment of severe hypoglycemia) as well as several preclinical peptide therapeutics. Partnering represents an important component of strategy to leverage in-house expertise, share development risk in large clinical trials, provide funding and commercialize the company's products. Zealand currently has global license agreements and partnerships with Sanofi, Helsinn Healthcare, Boehringer Ingelheim and Eli Lilly.

For further information: **www.zealandpharma.com** Follow us on Twitter @ZealandPharma