

Financial highlights.

Financial highlights of 2016

Revenue

Zealand's revenue in 2016 amounted to DKK 234.8 million (2015: DKK 187.7 million), which was an increase of 25% on 2015.

The main revenue component consisted of milestone payments of DKK 210.4 million (2015: DKK 159.1 million) from Sanofi in connection with the U.S. approvals of lixisenatide as Adlyxin® amounting to DKK 33.5 million, and Soliqua™ 100/33 amounting to DKK 169.9 million.

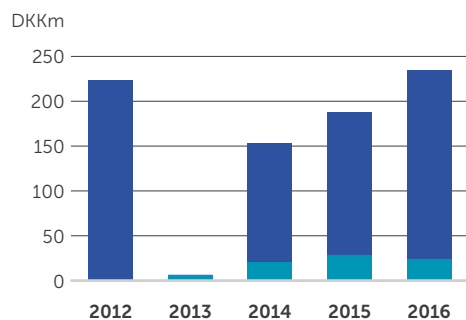
Royalty revenue to Zealand from Sanofi's sales of Lyxumia® amounted to DKK 24.3 million (2015: DKK 28.6 million), corresponding to a 15% decrease on the previous year.

Research, development and administrative expenses

Total research, development and administrative expenses amounted to DKK 320.7 million (2015: DKK 259.5 million), up 24% on 2015.

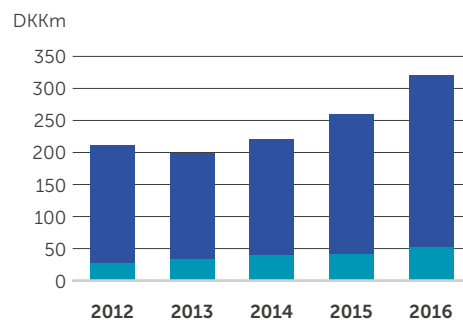
The increase is due to higher research and development expenses as a result of accelerated development activities. These included the costs of the dasiglucagon Phase 2 trial conducted in Germany and toxicology studies for glepaglutide. In addition, costs were impacted by an increase in the number of employees in our clinical development organization.

Revenue



■ Milestone income
■ Royalty income

R&D and administrative expenses



■ R&D expenses
■ Administrative expenses

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 given any guidance on expected 2017 sales.

Additional revenue of up to 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 by higher levels of clinical development costs associated with the advancements of glepaglutide and dasiglucagon.

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

DKKm	2017 guidance	2016 realized
Milestone revenue	100	210
Net operating expenses ¹	390-410	319
Operating loss before royalty income/expenses	290-310	109

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