Company Announcement
No. 18/2012

Zealand Pharma A/S – Interim report for H1 2012 (unaudited)

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

- Revenue from milestone payments of DKK 186 (EUR 25) million

- Pipeline progress, including advances for Lyxumia® (lixisenatide)

- Cash and securities of DKK 525 (EUR 71) million on 30 June 2012

- Financial guidance for 2012 raised to an expected positive net result at a range of DKK 37-57 (EUR 5-8) million

Copenhagen, 24 August 2012 – Zealand Pharma A/S (NASDAQ OMX Copenhagen: ZEAL), a biotech company dedicated to the discovery and development of peptide drugs, reports revenue growth, a net profit and an increase in cash and securities combined with the achievement of several important pipeline milestones for the six month period 1 January to 30 June 2012.

Financial Highlights in H1 2012

- Revenue of DKK 186.2 (EUR 25.1) million consisting of milestone payments from partners, Sanofi and Helsinn Healthcare, and former partner Action Pharma (H1 2011: DKK 119.3 (EUR 16.0) million).
- Royalty expenses of DKK 15.6 (EUR 2.1) million (H1 2011: DKK 0.0 (EUR 0.0) million).
- Net operating expenses of DKK 82.8 (EUR 11.1) million (H1 2011: DKK 70.9 (EUR 9.5) million).
- Net results of DKK 89.4 (EUR 12.0) million (H1 2011: DKK 46.9 (EUR 6.3) million).
- Cash and securities as at 30 June 2012 amounted to DKK 525.0 (EUR 70.7) million (30 June 2011: DKK 445.5 (EUR 59.9) million).

Pipeline Highlights in H1 2012 and the period thereafter

- Lyxumia® (lixisenatide) for Type 2 diabetes (partnership with Sanofi):
  - February – Positive top-line results announced from the GetGoal-P study, triggering a USD 20 (DKK 113) million milestone payment to Zealand Pharma from Sanofi for the completion of the global Phase III program, GetGoal, for lixisenatide.
  - June – Submission for approval of lixisenatide in Japan.
  - June – Data from the GetGoal Duo 1 and GetGoal-L studies presented at the American Diabetes Association's 72th Annual Scientific Sessions (ADA), supporting the efficacy and safety of lixisenatide on top of basal insulin. A total of 17 presentations on lixisenatide were made at ADA.

- ZP2929 for Type 2 diabetes and/or obesity (partnership with Boehringer Ingelheim):
  - Zealand Pharma has opened an IND on ZP2929 with the FDA.
  - First Phase I study planned for initiation before the end of Q3 2012.

- Elsiglutide for the prevention of chemotherapy-induced diarrhea (partnership with Helsinn Healthcare):
  - February – Helsinn Healthcare initiated a Phase IIa study in patients with colorectal cancer, treated with chemotherapy.

- ZP1480 (ABT-719 (formerly AP214)) for the prevention of acute kidney injury (partnership with Abbott):
  - May – New license agreement signed with Abbott and USD 11 (DKK 66) million in milestone payment from former partner, Action Pharma.

- GLP-1-gastrin dual agonist program:
  - June – New preclinical data presented at ADA on ZP3022, a novel peptide agonist from Zealand Pharma's GLP-1-gastrin dual agonist program, showing a significant improvement in glycemic control and an increase in pancreatic beta-cell mass.

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

"*We are very pleased with the advances achieved across our pipeline in the first half of 2012 and to report that we continue building upon Zealand Pharma's strong financial position. Our lead invention, Lyxumia® (lixisenatide) for Type 2 diabetes, completed the global Phase III program, GetGoal, and in addition to the filing in Europe, was submitted for approval in Japan by our partner, Sanofi. Other important milestones for our pipeline in the reported period include the agreement with Abbott on ZP1480 for the prevention of acute kidney injury and the completion of clinical preparations with ZP2929 for the treatment of Type 2 diabetes and/or obesity.*

"For the rest of 2012, we look forward to the expected start of clinical studies with ZP2929 before end of Q3, to a response on lixisenatide from the European regulatory authorities in Q4 and to an expected NDA filing in the US in December."

Financial guidance raised for 2012

In addition to revenues from milestone payments of DKK 186 (EUR 25) million received in H1 2012, Zealand Pharma expects other payments under an existing partnership agreement. The company therefore raises its revenue guidance for 2012 to DKK 223 (EUR 30) million from previously announced DKK 182 (EUR 24) and with related royalty expenses of DKK 16 (EUR 2) million. The timing of other potential milestone based payments from partners is largely outside the control of Zealand Pharma, and therefore no further revenue guidance is provided for the full year at this point.

Guidance on net operating expenses remains unchanged at a range of DKK 150-170 (EUR 20-23) million, and as a result of the raised revenue guidance Zealand Pharma now expects a positive net result for 2012 at a range of 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 H1 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/120824/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:

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Hanne Leth Hillman, Vice President and Head of IR & Corporate Communication
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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.

Business highlights in Q2 and the period thereafter

Lyxumia® (lixisenatide) – A once-daily GLP-1 agonist for Type 2 diabetes (partnership with Sanofi)

- Lixisenatide has been evaluated in an extensive global Phase III program, GetGoal, involving more than 5,000 adult patients with Type 2 diabetes and with results showing a significant and consistent improvement of glycemic control, a beneficial effect on body weight and a favourable safety profile in combination with OADs and in combination with basal insulin.
- At the ADA's 72th Scientific Sessions in June, Sanofi presented new data on lixisenatide from the GetGoal-L and GetGoal Duo 1 studies, evaluating lixisenatide (Lyxumia®) on top of basal insulin. Both studies achieved the primary efficacy endpoint of improved glycemic control (HbA1c lowering) with an associated significant reduction in post-prandial glucose in patients with Type 2 diabetes who were either new to insulin therapy (as early as 12 weeks after initiation) or already treated with insulin for an average of 3.1 years.
- A total of 17 oral, poster and abstract presentations were presented on lixisenatide at ADA.
- Further in June, Sanofi submitted a marketing authorization application for lixisenatide in Japan for review by the Japanese Ministry of Health, Labour and Welfare. A submission for approval by the Food and Drug Administration (FDA) in the US is expected in December 2012.
- In Europe, lixisenatide was filed for approval in November 2011, and Zealand Pharma and Sanofi expect a response from the European authorities in the form of an opinion from the Committee for Medicinal Products (CHMP) under the EMA in Q4 2012. Under the agreement with Sanofi, there is no milestone payment related to a European approval of lixisenatide.

Lixisenatide/Lantus® – Once-daily fix-flex combination device (partnership with Sanofi)

- In June, Sanofi announced that the development of a fix-flex lixisenatide/Lantus® combination device has advanced and entered phases for industrialisation, validation, usability and manufacturing. The combination device is expected to be available mid-2013 for the start of Phase III studies.

ZP2929 – Dual acting glucagon/GLP-1 agonist for Type 2 diabetes and/or obesity (partnership with Boehringer Ingelheim)

- Zealand Pharma has opened an Investigational New Drug (IND) application on ZP2929 with the U.S. Food and Drug Administration (FDA), and the start of clinical studies are expected before the end of Q3 2012. The first Phase I study will be conducted by Zealand Pharma, while Boehringer Ingelheim will be responsible for clinical development thereafter and for financing all clinical development including Phase I.

ZP1480 (ABT-719 (formerly AP214)) – For the prevention of acute kidney injury (partnership with Abbott)

- In May, Zealand Pharma signed a new license agreement with Abbott on ZP1480 (ABT-719) following Abbott's acquisition of all rights to the compound from Zealand Pharma's former partner, Action Pharma. This triggered a milestone payment to the company of USD 11 (DKK 66) million from Action Pharma. On 19 June, Zealand Pharma announced the final closing of the agreement following U.S. Antitrust clearance of Abbott's acquisition of the product.

GLP-1-gastrin dual agonist program – For the treatment of diabetes

- In June, at ADA, Zealand Pharma revealed new preclinical results on ZP3022, a novel candidate from the company's GLP-1-gastrin dual agonist program for the treatment of diabetes. The results demonstrated

that in diabetes models, ZP3022 led to a significant improvement in glycemic control and an increase in pancreatic beta-cell mass.

Key Figures for the group

The Board of Directors and Executive Management have approved this interim report containing condensed financial information for the first six month period of 2012 ending 30 June 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
	1.4 - 30.6	1.4 - 30.6	1.1 - 30.6	1.1 - 30.6	1.1 - 31.12
INCOME STATEMENT AND COMPREHENSIVE INCOME	**Q2**	**Q2**	**H1**	**H1**	**Full year**
Revenue	65,912	119,298	186,197	119,298	142,284
Royalty expenses	-289	0	-15,561	0	-112
Gross profit	**65,623**	**119,298**	**170,636**	**119,298**	**142,172**
Research and development expenses	-50,092	-33,409	-92,280	-70,786	-126,938
Administrative expenses	-4,667	-9,665	-10,720	-17,485	-34,905
Other operating income	11,300	15,491	20,160	17,374	28,435
Operating result	**22,164**	**91,715**	**87,796**	**48,401**	**8,764**
Net financial items	1,569	41	74	-1,549	4,613
Net result for the period	**23,733**	**91,756**	**89,419**	**46,852**	**13,377**
Comprehensive income for the period	**23,733**	**91,756**	**89,419**	**46,852**	**13,377**
Earnings per share - basic (DKK)	3.95	2.10	3.95	2.10	0.60
Earnings per share - diluted (DKK)	3.93	2.08	3.93	2.08	0.60

			30 June	30 June	31 December
BALANCE SHEET			**2012**	**2011**	**2011**
Cash and cash equivalents			325,725	296,023	278,342
Securities			199,235	149,512	149,358
Total assets			558,716	513,417	469,481
Share capital ('000 shares)			23,193	22,871	23,193
Shareholder's equity			536,788	461,538	441,397
Equity / assets ratio			0.96	0.90	0.94

	2012	2011	2012	2011	2011
	1.4 - 30.6	1.4 - 30.6	1.1 - 30.6	1.1 - 30.6	1.1 - 31.12
CASH FLOW	**Q2**	**Q2**	**H1**	**H1**	**Full year**
Depreciation	1.283	974	2.504	1,934	4,130
Change in working capital	-23,928	-35,782	3,948	-36,694	-5,194
Investments in fixed assets	-1,642	-3,702	-4,325	-6,488	-11,475
Free cash flow	-941	55,373	97,276	12,557	-99,685

			30 June	30 June	31 December
OTHER			**2012**	**2011**	**2011**
Share price DKK			80	72	57
Equity per share DKK			23.72	20.68	19.51
Average number of employees			104	89	91
Compounds in clinical development (end period)			6	6	6

Financial Review

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

Income statement
The net result for H1 was a profit of DKK 89.4 million (46.9). The increase in profit is mainly a result of milestone payments received under the license agreements with Sanofi, Helsinn Healthcare and former partner Action Pharma.

Revenue
Revenue in H1 increased to DKK 186.2 million (119.3), consisting of milestone payments from the company's partners Sanofi, Helsinn Healthcare and former partner Action Pharma. Revenue for the same period in 2011 came from milestone payments from Boehringer Ingelheim.

Royalty expenses
Royalty expenses for H1 was DKK 15.6 million (0.0) and related to the milestone payments received from Sanofi, Helsinn Healthcare and former partner Action Pharma.

Research and development expenses
Research and development expenses for H1 amounted to DKK 92.3 million (70.8) 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 H1 amounted to DKK 10.7 million (17.5), which were in line with expectations. The decrease was mainly due to lower legal costs as compared to H1 2011 when the Boehringer Ingelheim agreement was negotiated and signed.

Other operating income
Other operating income for H1 amounted to DKK 20.2 million (17.4) mainly associated with refunding from Boehringer Ingelheim of development costs for ZP2929 and costs related to the research collaboration.

Operating result
Operating result H1 was a profit of DKK 87.8 million (48.4).

Net financial items
Net financial items for H1 amounted to DKK 1.6 million (-1.5). 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 in H1 amounted to a profit of DKK 89.4 million (46.9).

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 H1 amounted to a profit of DKK 89.4 million (46.9).

Equity
Equity stood at DKK 536.8 million (461.5) at the end of the period, corresponding to an equity ratio of 96 % (90). 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 4.3 million (6.5).

Cash flow
As of 30 June 2012, Zealand Pharma had cash and cash equivalents including securities of DKK 525.0 million (445.5). The cash flow from operating activities amounted to DKK 101.6 million (19.0), and cash flow used for investing activities to DKK -54.2 million (-106.3) of which DKK -49.9 million (-99.8) has been invested in securities. The total cash flow for H1 amounted to DKK 47.4 million (-87.3).

Key financial developments in the second quarter of 2012

Revenue in Q2 amounted to DKK 65.9 million (119.3), consisting of milestone payments from the company's former partner Action Pharma related to the acquisition of ZP1480 (ABT-719 (formerly AP214)) by Abbott. Revenue for the same period in 2011 consisted of milestone payments from Boehringer Ingelheim.

Total operating expenses increased to DKK 54.8 million (43.1) reflecting a higher activity level within R&D mainly as a result of the research collaboration with Boehringer Ingelheim. Of the operating expenses in Q2 DKK 11.3 million (15.5) have been financed under the Boehringer Ingelheim collaboration.

Net result for Q2 amounted to DKK 23.7 million (91.8).

Financial guidance for 2012

In addition to revenues from milestone payments of DKK 186 (EUR 25) million received in H1 2012, Zealand Pharma expects other payments under an existing partnership agreement. The company therefore raises its revenue guidance for 2012 to DKK 223 (EUR 30) million from previously announced DKK 182 (EUR 24) and with related royalty expenses of DKK 16 (EUR 2) million. The timing of other potential milestone based payments from partners is largely outside the control of Zealand Pharma, and therefore no further revenue guidance is provided for the full year at this point.

Guidance on net operating expenses remains unchanged at a range of DKK 150-170 (EUR 20-23) million, and as a result of the raised revenue guidance Zealand Pharma now expects a positive net result for 2012 at a range of 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 June 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 six 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 June 2012 and of the results of the Group's operations and the Group's cash flows for the period 1 January – 30 June 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, 24 August 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 Q2	2011 Q2	2012 H1	2011 H1	2011 Full year
Revenue	65,912	119,298	186,197	119,298	142,284
Royalty expenses	-289	0	-15,561	0	-112
Gross profit	**65,623**	**119,298**	**170,636**	**119,298**	**142,172**
Research and development expenses	-50,092	-33,409	-92,280	-70,786	-126,938
Administrative expenses	-4,667	-9,665	-10,720	-17,485	-34,905
Other operating income	11,300	15,491	20,160	17,374	28,435
Operating result	**22,164**	**91,715**	**87,796**	**48,401**	**8,764**
Financial income	1,600	325	2,565	2,702	6,564
Financial expenses	-31	-284	-942	-4,251	-1,951
Results from ordinary activities before tax	**23,733**	**91,756**	**89,419**	**46,852**	**13,377**
Tax on ordinary activities	0	0	0	0	0
Net result for the period	**23,733**	**91,756**	**89,419**	**46,852**	**13,377**
Comprehensive income for the period	**23,733**	**91,756**	**89,419**	**46,852**	**13,377**
Earnings per share - basic (DKK)	3.95	2.10	3.95	2.10	0.60
Earnings per share - diluted (DKK)	3.93	2.08	3.93	2.08	0.60

CONSOLIDATED BALANCE SHEET (DKK '000)	30 June 2012	30 June 2011	31 December 2011
ASSETS			
Plant and machinery	16,523	12,598	14,856
Other fixtures and fittings, tools and equipment	541	304	543
Leasehold improvements	2,153	2,179	1,968
Fixed assets under construction	478	0	507
Deposits	2,508	2,440	2,493
Non current assets total	**22,203**	**17,521**	**20,367**
Trade receivables	11	47,123	14,894
Prepaid expenses	10,508	1,251	1,080
Other receivables	1,034	1,987	5,440
Securities	199,235	149,512	149,358
Cash and cash equivalents	325,725	296,023	278,342
Current assets total	**536,513**	**495,896**	**449,114**
Total assets	**558,716**	**513,417**	**469,481**
LIABILITIES AND EQUITY			
Share capital	23,193	22,871	23,193
Retained earnings	513,595	438,667	418,204
Equity total	**536,788**	**461,538**	**441,397**
Trade payables	8,410	7,644	8,592
Prepayment from customers	0	0	9,284
Other liabilities	13,518	44,235	10,208
Current liabilities	**21,928**	**51,879**	**28,084**
Total liabilities	**21,928**	**51,879**	**28,084**
Total equity and liability	**558,716**	**513,417**	**469,481**

CONSOLIDATED STATEMENT OF CASH FLOWS (DKK '000)	2012 H1	2011 H1	2011 Full year
Profit / loss for the period	89,419	46,852	13,377
Adjustments	6,853	11,062	12,372
Change in working capital	3,948	-36,694	-30,943
Cash flow from operating activities before financing items	**100,220**	**21,220**	**-5,194**
Financial income	2,323	2,076	5,339
Financial expenses paid	-942	-4,251	-1,951
Cash flow from operating activities	**101,601**	**19,045**	**-1,806**
Change in deposit	-16	0	-53
Investments in fixed assets	-4,325	-6,488	-11,475
Purchase of securities	-49,877	-99,839	-99,685
Cash flow from investing activities	**-54,218**	**-106,327**	**-111,213**
Capital increase	0	0	8,482
Repurchase of own shares	0	0	-426
Cash flow from financing activities	**0**	**0**	**8,056**
Decrease / increase in cash and cash equivalents	**47,383**	**-87,282**	**-104,963**
Cash and cash equivalents at beginning of period	278,342	383,305	383,305
Cash and cash equivalents at end of period	**325,725**	**296,023**	**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	5,972	5,972
Comprehensive income for the period	0	89,419	89,419
Equity at 30 June 2012	**23,193**	**513,595**	**536,788**
Equity at 1 January 2011	**22,871**	**384,237**	**407,108**
Warrants compensation expenses	0	7,578	7,578
Comprehensive income for the period	0	46,852	46,852
Equity at 30 June 2011	**22,871**	**438,667**	**461,538**

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 June 2012	**23,193**