ANNUAL REPORT 2020

Spreading hope, pioneering vaccines

BAVARIAN NORDIC

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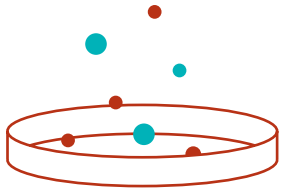
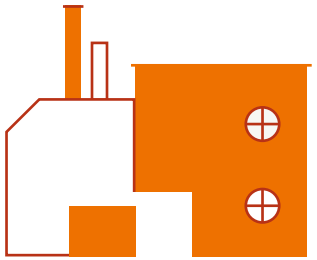
FROM RESEARCH TO REAL-LIFE VALUE

We are committed to developing and manufacturing life-saving vaccines



PIONEERING RESEARCH AND DEVELOPMENT

We have a strong heritage in vaccine development and with a proven technology, we continue to make innovations to help fight existing and emerging diseases.



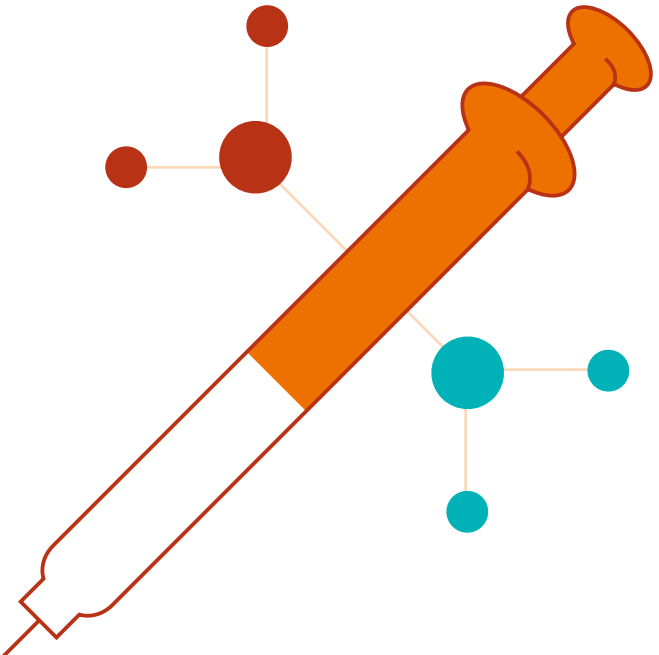
BEST IN CLASS VACCINE MANUFACTURING

We are experts in live virus vaccine manufacturing and with the recent addition of fill and finish capabilities we have enabled end-to-end commercial-scale manufacturing.

DRIVEN BY COMMERCIAL EXCELLENCE

We have established a commercial infrastructure with presence in key markets in Europe and the USA to drive profitable growth of our expanding portfolio of vaccines.

Lowering the risk of infectious disease for the greater good of our global community



REVENUE 2020

1,852 mDKK

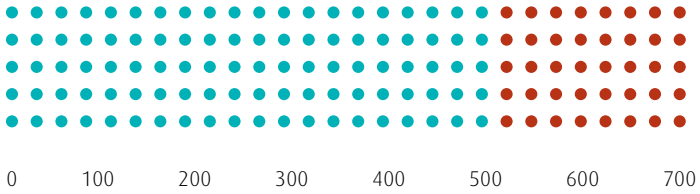
EBITDA 2020

740 mDKK

EMPLOYEES AT BAVARIAN NORDIC

700+

employees by end of 2020



40%

growth in employees since 2019

OUR VACCINES

The ongoing COVID-19 pandemic is an unfortunate reminder of the vulnerability of our population, despite major scientific and medical advances over the past century. While new treatments have significantly improved our lives, the prevention of infectious diseases remains a complex matter in an ever more globalized society, particularly as the reservoir for these diseases are often animals, which we are poorly able to control, and mutations of the viruses present continuous challenges in our efforts to minimize the impact of emerging diseases.

Our vaccines are yet a small contribution to improving public health around the globe, but our commitment to saving and improving lives by unlocking the power of the immune system is strong, and our accomplishments in 2020 clearly demonstrate our ability to transform our knowledge, expertise and capabilities into life-saving vaccines.

Rabies

Left untreated, rabies is almost invariably fatal and causes nearly 60,000 deaths worldwide every year. While most of these incidents occur in developing countries, rabies remains a threat in the wildlife in Western countries and may be transmitted to humans via bites or scratches mainly from bats, raccoons, skunks, and foxes. Rabies is 100% preventable with post-exposure prophylaxis, i.e. wound care and vaccination as soon as possible after being bitten and before the onset of symptoms. It is estimated that every 10 minutes, a person in the US is vaccinated after potential exposure to rabies. Pre-exposure prophylaxis are often recommended for travelers visiting countries and regions with high incidence of rabies and to animal handlers in some Western countries.

Tick-borne encephalitis

Tick-borne encephalitis (TBE) is a viral infectious disease transmitted to humans by the bite of an infected tick. Although rare, TBE is a serious condition affecting the central nervous system that can lead to death or long-term neurological sequelae after recovery from infection. TBE is prevalent in central, eastern and northern Europe and the geographic range of the virus appears to have expanded to new areas, likely due to a complex combination of changes in diagnosis and surveillance, human activities and socioeconomic factors, and ecology and climate. TBE is a preventable disease and vaccination is recommended for people who live in TBE risk areas or who frequently visit forests and grasslands in TBE risk areas.

Ebola

Ebola virus disease causes severe hemorrhagic fever in humans, often leading to death. In average, the mortality rate is around 50%, although mortality rates in historical outbreaks have ranged from 25% to 90%. The virus is transmitted to people from wild animals and then spreads in the human population through direct contact with the bodily fluids of infected people. Sporadic outbreaks have occurred in West Africa since the virus was discovered in the 1970's, but it was not until the large outbreak in 2014-2016, which killed more than 11,000 people, that the development of an effective vaccine was expedited, leading to an unprecedented global effort by governments and the pharmaceutical industry. Bavarian Nordic's MVA-BN-based Ebola vaccine candidate, which was originally developed in collaboration with the US government, was licensed by Janssen in 2014 for use in a prime-boost vaccine regimen together with their adenovirus–based vaccine candidate. Following an extensive development program, the vaccine regimen was approved by the European Commission in 2020.

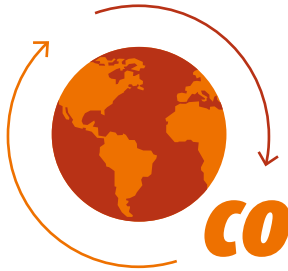
Smallpox / Monkeypox

While smallpox was eradicated worldwide by 1980 as a result of an unprecedented global immunization campaign, it remains one of most dangerous infectious diseases in the history of mankind, having killed an estimated 300 million people in the 20th century. Smallpox has been investigated as a biological weapon and in combination with fears over the risk of reoccurrence of the disease, either via synthesis or natural mutations, the US, as well as other countries have prioritized countermeasures against the virus and maintain a stockpile of smallpox vaccines. Our vaccine has been developed to mitigate the risks associated with the traditional, replicating vaccines that were used during the eradication of smallpox, and which are not recommended for people with compromised immune systems.

Monkeypox is a viral zoonosis (a virus transmitted to humans from animals) occurring in Central and West Africa with symptoms similar to those seen in the past in smallpox patients, although it is clinically less severe. With the eradication of smallpox and subsequent cessation of smallpox vaccination, it has emerged as the most important orthopoxvirus and is considered the deadliest existing orthopoxvirus in humans with a mortality rate estimated at up to 10%. The FDA approval of our smallpox vaccine in 2019 also included approval for monkeypox and offers a new opportunity for the protection of those at high risk for exposure to this emerging infectious disease.

2020 ACHIEVEMENTS

2020 marked year one in the commercial transformation of Bavarian Nordic and the accomplishment of several important milestones during the year were pivotal in the continued journey to become one of the world's largest pure play vaccine companies.



COMMERCIAL INTEGRATION MOVING FORWARD

Following the acquisition of Rabipur/RabAvert and Encepur from GSK, a full global commercial organization has been established to support the integration of the products.

Local core sales and marketing teams have been organized in Europe and the US, ensuring comprehensive commercial presence and infrastructure. The transfer of marketing and distribution of the acquired products were completed in several countries, including key markets such as Germany and the US. Building on these important advances in the commercial transformation of Bavarian Nordic, the remaining markets will be taken over during 2021.

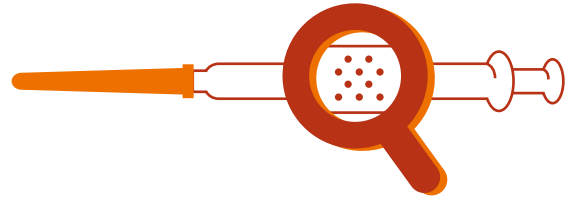
Our longstanding partnership with the US government was again confirmed with the award of a new smallpox vaccine contract. The USD 202 million contract not only covers the supply of up to 1.4 million doses of the FDA-approved liquid-frozen JYNNEOS, which will ensure the availability of the vaccine in the U.S. Strategic National Stockpile for potential use by first-line responders, but also the manufacturing of additional bulk vaccine for future supply of an improved, freeze-dried version of the vaccine.

EXPANSION OF SMALLPOX VACCINE CONTRACT WITH THE US GOVERNMENT

CONTINUED ADVANCES IN VACCINE MANUFACTURING

After successful completion of the construction of our new fill and finish facility, the comprehensive work with validation and qualification of the equipment has proceeded with the aim to commence commercial manufacturing later in 2021. In parallel, the expansion of our bulk manufacturing has been initiated to increase the capacity and flexibility of the facility to support the technology transfer of the acquired vaccines and other future products. This expansion will create a center of excellence for manufacturing of live virus vaccines.

In July, the European Commission granted marketing authorization for MVABEA® for the prevention of Ebola. The approval, which was the second EU approval of a product based on our MVA-BN platform technology, marks a significant advance in the fight against Ebola and an important milestone in our partnership with Janssen, who has licensed the commercial rights to the vaccine. In connection with the approval, Bavarian Nordic received a milestone payment of USD 10 million from Janssen.



SECOND MVA-BN-BASED VACCINE TO OBTAIN REGULATORY APPROVAL

LETTER TO THE STAKEHOLDERS

SETTING A NEW COURSE – BUILDING A NEW COMPANY

While we have both seen some remarkable achievements during our tenures at Bavarian Nordic, 2020 was an exceptional year with many firsts and achievements that will set new standards for our company. At the beginning of the year we embarked on a commercial transition to generate a new portfolio of products, including two vaccines acquired from GSK. While this transition for a company with no historical commercial presence was seen as a challenge by some, we remained confident in our employees who also shared our vision to create one of the largest pure play vaccine companies by 2025.

This transition has so far been a great success with the establishment of a highly experienced and talented international commercial organization. The transfer of marketing and distribution of Rabipur®/ RabAvert® and Encepur® from GSK has already been completed in several countries, including establishing our own sales force in key markets such as Germany and the US. At the time of publication of this report, we have already transferred 18 markets representing at least 90% of the revenues and the remaining markets will be completed during 2021.

We successfully conducted a rights issue during the worldwide pandemic

Despite the worldwide challenges for the travel vaccine sector during last year we have maintained or increased our market shares during our first year as a fully integrated commercial company. This sign of strong execution also supports our business model that a higher focus on supply and marketing will provide a better service for healthcare professionals and improve annual growth for both Rabipur/RabAvert and Encepur beyond historical levels while providing more life-saving vaccines to patients.

To support our strategy, we successfully closed a share rights offering – the largest in Bavarian Nordic history. Despite difficult markets created by the first COVID-19 lockdown, investors bought into the new business case of an innovative, profitable vaccine company, with a more predictable revenue stream. Therefore a special thanks is extended to all new and existing shareholders for their support, which has created a new platform for future growth.

We have also seen a solid progression of our pipeline assets with the second MVA-based vaccine approval in the EU, as part of our partnership with Janssen to develop a vaccine to protect against Ebola – a deadly disease that kills between 25-90% of infected people. Positive clinical readouts for both JYNNEOS® and MVA-BN® WEV, a vaccine against an emerging deadly disease spread by mosquitos, has seen these programs progress and again support the safety and broad potential application of our MVA vaccine platform. While we postponed


Paul Chaplin


Gerard van Odijk

the initiation of the planned Phase 3 for our leading vaccine against RSV due to COVID-19, we have initiated a human challenge study with pivotal results expected later this year.

The year however will probably always be remembered for COVID-19 and the devastating impact this worldwide pandemic has had on our lives. However, due to the resilience and high dedication of our employees the business impact was managed, and we were able to maintain our financial guidance and report improved EBITDA and cash position by year-end. To help in the fight against COVID-19 we licensed a vaccine candidate from AdaptVac, based on an exciting vaccine platform technology that holds the potential to create a durable and highly protective response against this disease, and which can rapidly be adapted to new potentially more deadly variants. With strong preclinical efficacy data, the program has entered Phase 1 in March 2021, supported under a Horizon 2020 EU grant. Based upon promising data and the belief that there will be a market for COVID-19 vaccines post the pandemic we have decided to kick-start the further development of the program by funding a larger regulatory Phase 1/2 study and scale-up of manufacturing to accommodate potential future clinical development to support licensure of the vaccine.

Preparing a nation against the unthinkable requires vision, strength and sustained investments, all at a time before an emergency, such as a pandemic or bioterrorism event, has occurred. While the US government has led the way for years in establishing private-public partnerships in developing and stockpiling biological countermeasures, this model is lacking in other parts of the world. We hope that other governments will have learned from this pandemic and think that if there was ever a need to change the dynamics, it would be now during a worldwide pandemic that has caught the world unprepared.

Our own private-public partnership on JYNNEOS continues to grow from a position of strength with new orders securing millions of doses to protect the US population against smallpox. We continue to invest in one of our key capabilities for vaccine manufacturing and completed the construction of a state-of-the-art fill and finish facility, designed for the production of life-saving vaccines. We have also initiated a further expansion of our existing vaccine bulk facility that will together create a center of excellence for the simultaneous manufacturing of multiple vaccines. Our capabilities now go beyond our own products and could be used for the production of other life-saving vaccines, or as part of a larger manufacturing infrastructure preparing nations against future pandemics or bioterrorism events.

These are extremely exciting times for the company, and we have created a platform for future growth and opportunities to supply vaccines to protect millions of people each year against some of the deadliest diseases. However, none of this would be possible without our amazing employees and key stakeholders who have joined us in this endeavor. So, a great thanks to all of you that have supported the remarkable achievements during 2020.

Paul Chaplin
President & CEO

Gerard van Odijk
Chairman of the Board of Directors

Group Key Figures 2016–2020

DKK million	2020	2019	2018	2017	2016
Income statement					
Revenue	1,852.4	662.5	500.6	1,370.2	1,006.7
Production costs	1,195.1	354.8	255.1	290.6	297.8
Sales and distribution costs	285.8	53.5	33.7	39.9	38.6
Research and development costs	341.4	409.3	386.3	518.4	463.2
Administrative costs	278.1	173.4	180.0	168.0	174.2
Income before interest and tax (EBIT)	379.6	(328.4)	(354.5)	353.2	33.0
Financial items, net	(97.6)	(16.3)	(2.2)	(50.9)	6.5
Income before company tax	282.0	(344.7)	(356.6)	302.3	39.5
Net profit for the year	277.5	(346.8)	(361.9)	181.3	30.6
Balance sheet					
Total non-current assets	6,378.0	6,392.2	552.7	382.2	541.1
Total current assets	2,381.0	654.9	2,508.3	2,770.5	2,282.6
Total assets	8,759.1	7,047.1	3,060.9	3,152.7	2,823.7
Equity	4,894.4	1,865.5	2,180.6	2,506.3	2,017.2
Non-current liabilities	2,912.4	3,134.4	397.6	399.8	54.7
Current liabilities	952.3	2,047.2	482.7	246.6	751.8
Cash Flow Statement					
Securities, cash and cash equivalents	1,669.6	472.4	2,317.2	2,583.7	1,899.9
Cash flow from operating activities	571.9	(275.9)	(288.5)	216.1	267.6
Cash flow from investment activities	(1,911.5)	(809.9)	17.1	(1,345.2)	(448.2)
– Investment in intangible assets	(501.9)	(2,310.9)	(10.2)	(22.3)	(43.7)
– Investment in property, plant and equipment	(204.8)	(360.1)	(201.8)	(56.4)	(47.8)
– Net investment in securities	(1,202.1)	1,861.1	229.2	(1,266.6)	(358.3)
Cash flow from financing activities	1,334.9	1,114.7	245.8	613.4	657.2

DKK million	2020	2019	2018	2017	2016
Financial Ratios[1)]					
EBITDA	739.8	(271.4)	(312.9)	390.7	78.4
Earnings (basic) per share of DKK 10	5.1	(10.7)	(11.2)	5.7	1.0
Net asset value per share	83.7	57.6	67.5	77.7	64.3
Share price at year-end	187	171	127	224	249
Share price/Net asset value per share	2.2	3.0	1.9	2.9	3.9
Number of outstanding shares at year-end (thousand units)	58,450	32,389	32,311	32,245	31,354
Equity share	56%	26%	71%	79%	71%
Number of employees, converted to full-time, at year-end	690	491	419	420	437

[1)] Earnings per share (EPS) is calculated in accordance with IAS 33 "Earning per share". Other financial ratios have been calculated in accordance with the guidelines from the Danish Society of Financial Analysts.

Reconciliation of EBITDA					
Income before interest and tax (EBIT)	379.6	(328.4)	(354.5)	353.2	33.0
Depreciation and amortization (note 9)	344.1	57.0	41.6	37.5	45.4
Impairment losses (note 9)	16.1	-	-	-	-
EBITDA	**739.8**	**(271.4)**	**(312.9)**	**390.7**	**78.4**

OUTLOOK 2021

*In 2021, Bavarian Nordic expects **revenue** between DKK 1,900 million and DKK 2,200 million and an **EBITDA** between DKK 100 million and DKK 250 million. **Cash and cash equivalents** at year-end are expected to between DKK 1,400 million and DKK 1,600 million.*

Revenue

Between **1,900 and 2,200** (mDKK)

EBITDA

Between **100 and 250** (mDKK)

Cash and cash equivalents

Between **1,400 and 1,600** (mDKK)

Due to the uncertainty created by COVID-19, the outlook for 2021 will be less specific than usual and until there is more visibility in the market.

OUTLOOK 2021 – KEY ASSUMPTIONS

Revenue

The low end of the revenue range reflects a scenario where a lockdown due to COVID-19 continues beyond Q1 in key markets like the US and Germany. The higher end of the revenue range reflects a scenario where a gradual reopening will happen in key markets during Q2 and where travel starts picking up again in Q3 and Q4 of 2021.

The smallpox and Ebola business are not expected to be impacted by COVID-19.

Research and development costs

Research and development costs of approximately DKK 750 million are expected for 2021 with the largest single project being RSV. Manufacturing of phase 3 material as well as cost for the announced Human Challenge Trial are included. For the COVID-19 program, up to approximately DKK 200 million are expected for a phase 2 trial and scale-up of manufacturing in preparation for a phase 3 trial. These costs are being capitalized and hence the research and development costs expensed through the P&L is expected to be approximately DKK 550 million.

Cash position

Expected payment of approximately DKK 375 million in milestones to GSK relating to the tech-transfer process for Rabipur/RabAvert and Encepur. Working capital changes of approximately DKK 300 million, primarily driven by increased inventory levels of Encepur and Rabipur/RabAvert products.Investments of approximately DKK 650 million with the vast majority of the investment linked directly to the acquired vaccines Rabipur/RabAvert and Encepur and relates to the upgrade of the bulk facility and capitalized tech transfer costs. Draw-down of existing DKK 244 million loan facility with the European Investment Bank. Investments in COVID-19 program of up to approximately DKK 200 million (capitalized R&D costs). Net proceeds of approximately DKK 1,100 million from private placement included.

Investments

Approximately half of the total 2021 investments relate to the new facility. The design of the facility has been revised to achieve a higher degree of flexibility enabling parallel manufacturing of Bavarian Nordic developed products and allowing space for specific Encepur and Rabipur/RabAvert equipment. The re-designed facility will require a total expected investment of approximately DKK 650 million and the re-build is expected to be finalized in 2022. Capitalization of tech-transfer costs in 2021 is expected to reach approximately DKK 150-200 million. Beyond 2022 and with current plans,, annual investments are expected to decline to a level of DKK 50 - 100 million.

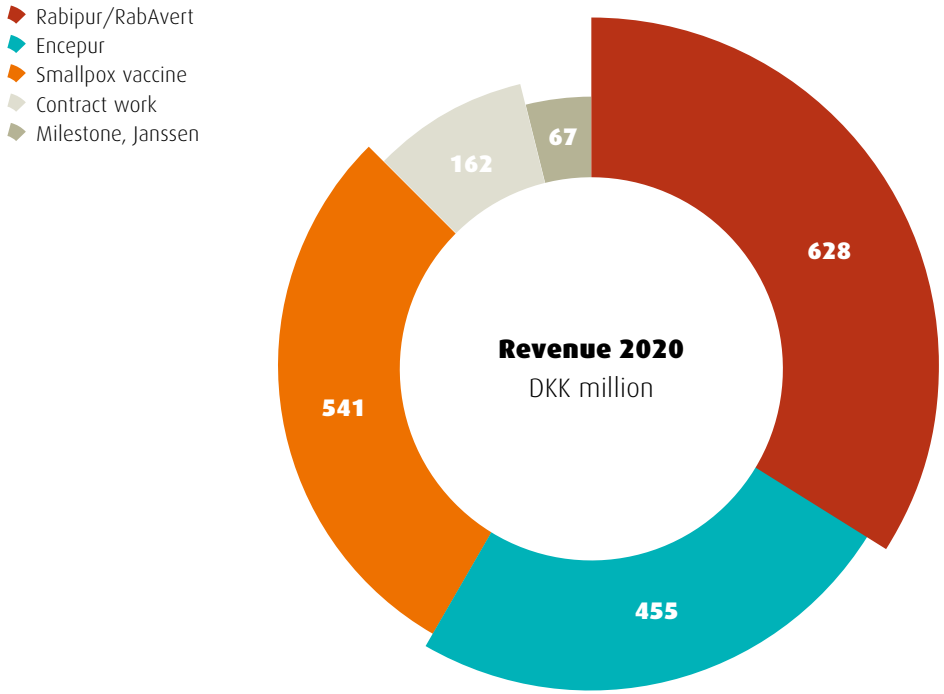
The outlook is based on the following assumptions on currency exchange rates of DKK 6.10 per 1 USD and DKK 7.45 per 1 EUR.

Mid- to long-term financial goals

While the commercial market for JYNNEOS is still in the establishing phase, Rabipur/RabAvert and Encepur are mature products with established markets, which, post the COVID-19 pandemic, are expected to deliver at least low- to mid-single-digit annual sales growth and mid- to high-single-digit annual sales growth, respectively.

From 2025, Bavarian Nordic targets, on a normalized basis, to deliver strong cash generation and profitability in line with the relevant vaccine peer group average.

SALES PERFORMANCE AND MARKET TRENDS



Sales figures from 2019 have been provided by GSK and are presented for comparison only.

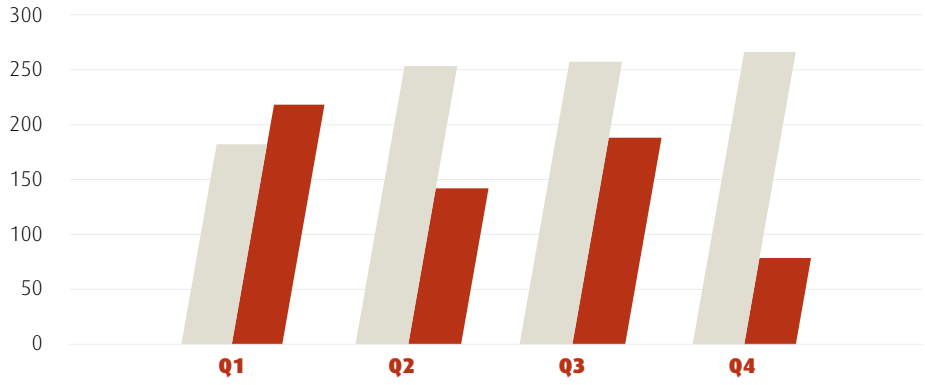
Rabipur/RabAvert

Rabipur/RabAvert revenue amounted to DKK 628 million (DKK 960 million) for the full year. The 35% decrease versus prior year was caused by COVID-19 and an extraordinarily strong Q4 2019.

The US rabies market declined by approximately 25% in 2020, however RabAvert compensated for a significant portion of the market decline by a significant market share gain. For the full year, the US market share was 77%, significantly above the level prior to COVID-19 and the competitive stockout situation. In Germany, the travel segment continued to be hit hard by COVID-19 during the quarter leading to a decline of nearly 95% in the rabies market vs prior year.

For the fourth quarter revenue amounted to DKK 80 million (DKK 269 million), i.e. a 70% decline explained by COVID-19, return of competition and an extraordinarily strong Q4 2019.

Rabipur/RabAvert sales by quarter
mDKK



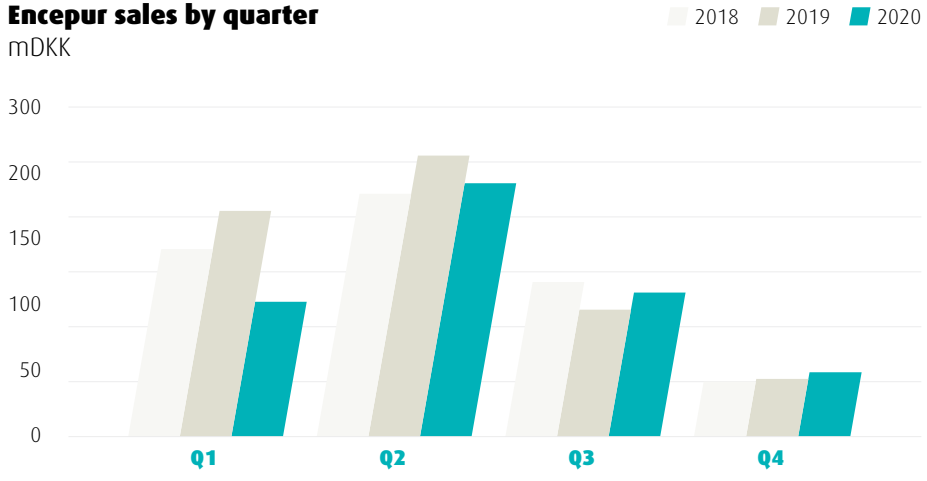
Encepur

Encepur revenue amounted to DKK 455 million (DKK 527 million) for the full year, i.e. a decrease of 14% versus prior year.

For the full year, the Encepur market share in key markets were largely unchanged and the year-over-year decline in sales was caused by inventory movements explained in the Q1 Interim Report and by COVID-19. This trend is in contrast to the historical market share loss that Encepur has suffered.

For the fourth quarter, revenue amounted to DKK 49 million (DKK 44 million) corresponding to an increase of 12%. This quarterly growth is primarily driven by market share gain compared with the same period in prior year.

Encepur sales by quarter



Sales figures from 2018 and 2019 have been provided by GSK and are presented for comparison only.

The largest single market, Germany, showed a decline in the fourth quarter versus prior year of approximately 7% due to tightened COVID-19 measures.

Jynneos

Revenue from the sale of JYNNEOS for the full year was DKK 541 million (DKK 324 million) and DKK 60 million (DKK 193 million) for the fourth quarter. The revenue was all related to sales invoiced under the US government order awarded in April 2020.

Other income

Revenue from milestone payments for the full year was DKK 67 million (DKK 0 million), which was related to the award of the European marketing authorization of the Ebola vaccine in July 2020. This revenue was included in the Q3 2020 Interim Report.

Revenue from contract work was DKK 162 million (DKK 338 million), mainly related to qualification and validation activities relating to the new fill-and-finish plant and the Phase 3 trial of the freeze-dried version of the smallpox vaccine, both under contracts with the US government. Contract work revenue for the fourth quarter amounted to DKK 39 million (DKK 97 million).

The sale of a Priority Review Voucher was completed in first quarter 2020, generating DKK 628 million in other operating income.

SALES PERFORMANCE AND MARKET TRENDS

Q4 sales

mDKK	Q4 2020	Q4 2019	Growth
Rabipur/RabAvert	80	269[1]	-70%
Encepur	49	44[1]	12%
JYNNEOS	60	193	-69%
Milestone payments	0	0	
Contract work	39	97	-59%
Total	**229**	**603**	

FY sales

mDKK	FY 2020	FY 2019	Growth
Rabipur/RabAvert	628	960[1]	-35%
Encepur	455	527[1]	-14%
JYNNEOS	541	324	67%
Milestone payments	67	-	
Contract work	162	338	-52%
Total	**1,852**	**662**	

[1] 2019 numbers provided by GSK for comparison only

10-YEAR CONTRACT

10-year contract framework with the US government

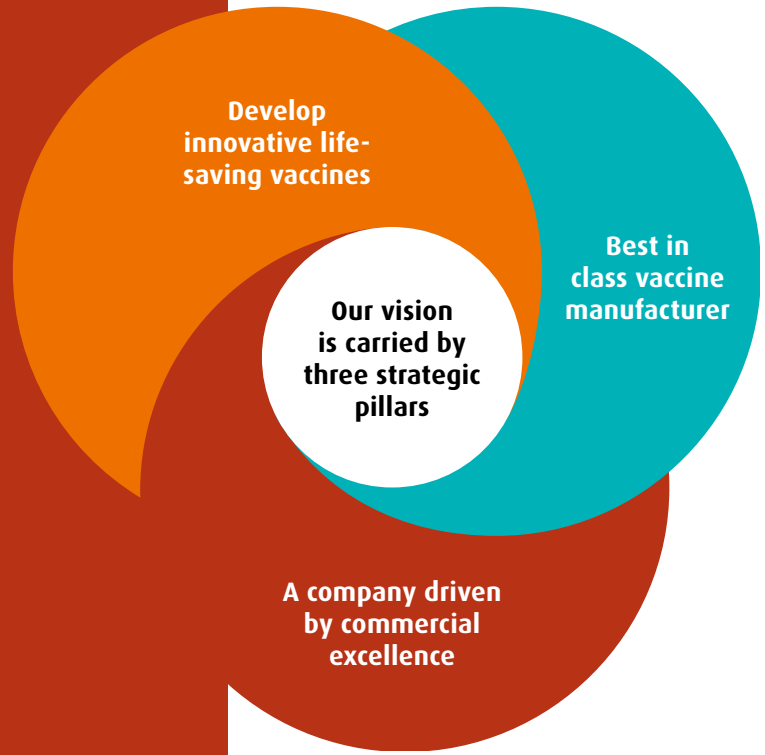
As part of Bavarian Nordic's contract framework with the US government, a freeze-dried version of the vaccine is under development. Due to an anticipated longer shelf life than the current liquid-frozen version, Bavarian Nordic believes that its freeze-dried formulation is well positioned to fulfil the US government's long-term stockpiling requirements for a smallpox vaccine to cover 66 million U.S. citizens.

The initial contract for development of the freeze-dried version was awarded in 2009, and in 2017 Bavarian Nordic was awarded a USD 539 million order for the supply of freeze-dried MVA-BN to the SNS to replace the current stockpile of liquid-frozen vaccines, which has expired.

The base contract of USD 100 million relates to the manufacturing of bulk vaccine, which was revenue recognized in 2018 and 2019, in addition to bulk vaccine worth USD 233 million manufactured under previous contracts. The contract further includes options of up to USD 140 million related to the clinical development, regulatory commitments and validation and subsequent approval of the fill and finish facilities. The remaining USD 299 million under the contract relates to the future supply of freeze-dried vaccine doses. The 10-year contract also contains agreed pricing for additional bulk and final doses of both liquid-frozen and freeze-dried formulation of the vaccine.

OUR STRATEGY

Bavarian Nordic's fundamental mission is to save and improve lives by unlocking the power of the immune system and in the medium term we have established a bold vision and aspiration to become one of ***the largest pure play vaccine companies****.*



DEVELOP INNOVATIVE LIFE-SAVING VACCINES

Bavarian Nordic sees the continued progression of the development pipeline as of strategic importance with the aim to develop lifesaving vaccines. Key pipeline priorities are development and approval of the freeze-dried version of the smallpox vaccine, development and approval of an RSV vaccine, and to advance other infectious diseases and immunotherapy projects.

Key strategic activities and milestones in 2021

- Initiate and complete a Phase 2 human challenge trial in RSV
- Continue preparations for initiation of the Phase 3 trial of MVA-BN RSV in older adults in 2022
- Advance the development of the COVID-19 vaccine candidate, ABNCoV2 into Phase 2 and scale-up of manufacturing to phase 3 volume levels
- Advance the development of smallpox MVA-BN freeze-dried formulation
- Further explore intravenous administration of brachyury containing construct within immunotherapy.

The mid- to long term goals are to: (i) secure approval of two vaccines: the freeze-dried version of the smallpox vaccine and the RSV vaccine, to be launched together with a partner, (ii) secure proof-of-concept of new immunotherapy approaches, (iii) introduction of at least one more infectious disease pipeline project, and (iv) preserve and grow the value of ABNCoV2 by building on the positive momentum in clinical development, despite not yet having secured third-party funding.

A COMPANY DRIVEN BY COMMERCIAL EXCELLENCE

During 2020, Bavarian Nordic established a full commercial infrastructure responsible for the commercialization of Rabipur/RabAvert, Encepur and JYNNEOS. The work now continues to grow our sales and to establish Bavarian Nordic as the preferred partner to health care professionals operating within our field.

Key strategic activities and milestones in 2021

- Drive profitable growth for Rabipur/RabAvert and Encepur
- Take over physical distribution for Rabipur/RabAvert and Encepur in remaining markets
- Improve awareness and image of Bavarian Nordic with key stakeholders

The mid- to long term goals are to: (i) drive profitable growth of the commercial business, (ii) establish JYNNEOS/IMVANEX/IMVAMUNE as the global leader for the prevention of smallpox and for JYNNEOS also with respect to monkeypox, (iii) become a preferred partner to healthcare professionals for the prevention and treatment of rabies and prevention of tick-borne encephalitis, smallpox and monkeypox and (iv) further expand the portfolio of commercial stage products either organically or through acquisitions.

BEST IN CLASS VACCINE MANUFACTURER

Bavarian Nordic wants to further leverage its expertise within manufacturing of live virus vaccines. This involves completing the manufacturing footprint to encompass the full value chain from bulk manufacturing to fill and finish, as well as increasing bulk capacity and introducing the flexibility to manufacture different bulk vaccines in parallel. All of this with the strategic aim to be a best-in-class vaccine manufacturer.

Key strategic activities and milestones in 2021

- Filling of first commercial vaccine doses in the newly built fill and finish facility
- Completion of construction of new/amended drug substance facility
- Progress the manufacturing technology transfer of Rabipur/RabAvert and Encepur according to plan, including completing qualification of packaging performed at a selected contract manufacturer

The mid- to long term goals are to: (i) establish Bavarian Nordic capabilities to fill and finish liquid and freeze-dried products, (ii) expand bulk manufacturing to introduce new technologies and manufacture multiple products in parallel, and (iii) to successfully complete the transfer of the manufacturing of Rabipur/RabAvert and Encepur from GSK, in order to deliver on the anticipated synergies of the transaction.

INTERVIEW WITH ANU HELENA KERNS

BUILT ON SCIENCE, DRIVEN BY PEOPLE

Anu Helena Kerns joined Bavarian Nordic as Chief People Officer in November 2020. Anu brings more than 15 years of leadership experience driving human resource and communication strategies. In the newly established role and as a part of the executive management team she will drive the organizational development through the ongoing commercial transformation of Bavarian Nordic.

Anu: I am incredibly excited to be joining Bavarian Nordic at this transformative stage of its development. Throughout the organization, a strong purpose of delivering life-saving vaccines is present and I am thrilled to take part in this by shaping a people and organization agenda that will unfold Bavarian Nordic's vision for the future.

Since the acquisition of Encepur and Rabipur, Bavarian Nordic has had a laser-like focus on establishing a commercial structure with presence in new markets and expanding manufacturing capacity in anticipation of new vaccines. The organization has seen significant growth with a large number of new employees offering their competencies to the organization.

Anu: We have transformed into a full-blown vaccine company in a very short time growing in size and scope. Now we must do the legwork and align people, processes and platforms to the new reality. This involves making our workflows simple and scalable, but more importantly to bring everyone along on the journey fostering collaboration and communication across functions and locations.

This task has, naturally, been impacted by the COVID-19 pandemic. With around 300 new people in the organization, many have never had the chance to meet close colleagues face to face. Ultimately, these unprecedented times have taught us that being out of sight does not mean being out of touch. Even under new and unanticipated pressures, we have succeeded, and important milestones have been achieved. We owe a big thanks to the Bavarian Nordic people who yet again demonstrated their flexibility and adaptability.

Anu: Since joining Bavarian Nordic, the capability of our organization has repeatedly amazed me. I regard the strong knowledge base coupled with human factors like a widespread can-do attitude, willingness to go the extra mile and the ability to quickly adjust to changes and challenges as the true foundation of our success and something we should continue to nurture.

Throughout the organization, a strong purpose of delivering life-saving vaccines is present

A future of flexible work and sustainable engagement
Based on the learning we have from the COVID-19 lockdown period, Bavarian Nordic wants to offer more flexibility to our employees as we define our future way of working. This initiative is part of an overall objective to offer a healthy, safe and engaging working environment. Over the years, Bavarian Nordic has been able to achieve a steady reduction in accidents, sick leave and turnover. The ambition is to monitor and keep these key figures at their current low levels. In the coming year, pulse surveys will be done to check the temperature of the motivation and commitment in the organization.

Anu: I want to keep a good reading on the pulse of the organization to understand, how we fuel sustainable engagement going forward. I can only imagine that under the current circumstances there can be some fatigue in the organization, and if that is the case, I want all leaders to get involved in addressing it. So far, I have only experienced a very open, friendly and energetic workforce. As leaders we need to stay close and in tune with the people in the organization and make sure they feel seen, heard and developed.

Innovation catalyzed by diversity and mobility
Diversity and equal opportunity have entered the agenda of top management in Bavarian Nordic. More than half of all leader positions in the Company are female and there is female representation at all levels in the organization, including on the Board of Directors. However, diversity relates to more than gender - it also involves inclusion of different age groups and backgrounds. Driven out of a need to attract people with various backgrounds and specialty for manifold functions in different locations, the workforce in Bavarian Nordic quite naturally becomes diverse.

We all learn most from interacting with different people and getting out of our comfort zone

As new CPO, Anu sees especially diversity as a catalyst for innovation:

Anu: From my experience, having a diverse workforce works in our favor as a dynamic company dependent on innovation. We need people that bring along a fresh perspective and challenge the status quo. While we have a decent level of diversity in terms of gender, educational backgrounds and nationality, I personally believe we can benefit from engaging students, interns and fresh graduates who can offer new theory and different perspectives on technology and media.

Anu: We all learn most from interacting with different people and getting out of our comfort zone. Bavarian Nordic has a unique opportunity to offer personal growth and development just by virtue of our continuous expansion. In my career, I have been fortunate to experience great jumps in my learning curve by changing role and location and working with people from different functions and cultures. I would like to see, how we can facilitate more internal mobility in Bavarian Nordic in the future

Anu Helena Kerns

Joined Bavarian Nordic in November 2020 from Novo Nordisk where she held various leadership roles with increasing responsibilities, including five years abroad where she was responsible for establishing a new regional organizational structure and driving the HR development and communication strategy. Prior to Novo Nordisk she worked for 8 years in the financial sector with employer branding, reputation management and change communication.

DEVELOPING INNOVATIVE LIFE-SAVING VACCINES

While Bavarian Nordic's focus in 2020 has predominantly been on the commercial transformation, innovation remains a cornerstone for the Company. The development of a strong pipeline is an integral part of our growth ambitions, and not least our desire to deliver lifesaving promises to patients where there is a medical need.

On the back of two recent product approvals; the liquid-frozen smallpox vaccine and the Ebola vaccine, we are working diligently towards securing additional approvals in the coming years. A key asset in the pipeline is MVA-BN RSV, an advanced, broad-spectrum vaccine candidate for respiratory syncytial virus, which represents a blockbuster potential. While the planned Phase 3 program of the vaccine has been postponed until 2022, a human challenge trial will be conducted in 2021, providing important efficacy data later this year.

We have also prioritized the development of ABNCoV2, our COVID-19 vaccine candidate in-licensed from AdaptVac, which we believe has potential as a next-generation vaccine that has potential to provide a broad and durable response, while also mitigating the challenges from new, and potentially more deadly variants of the virus.

Another expected near-term approval is the freeze-dried smallpox vaccine, which has concluded Phase 3 development, and will be an important trigger for our future vaccine sales to the US government.

We also remain committed to the development of novel therapies to fight cancer with a refocused strategy, involving more advanced vaccine constructs and new administration routes.

Lastly, we are exploring other vaccine platforms in our efforts to expand the infectious disease pipeline over the next years.

2021 FOCUS AREAS

RSV
Initiate and complete a Phase 2 human challenge trial in RSV

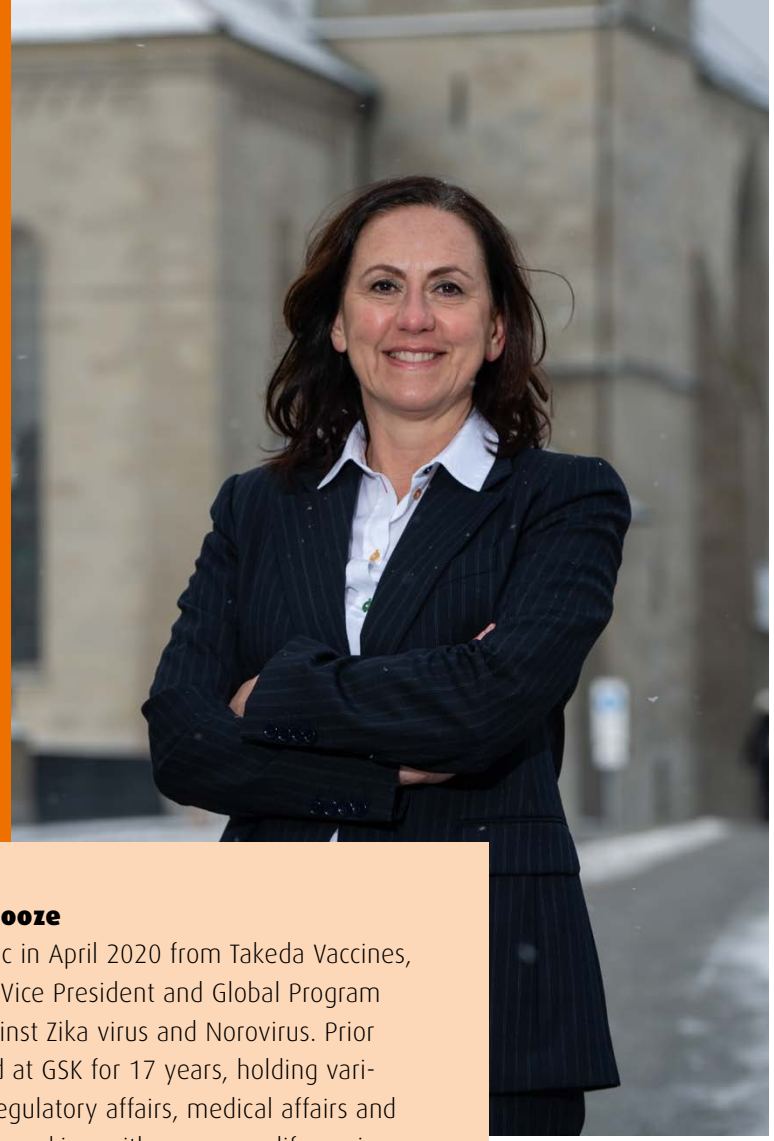
Continue preparations for initiation of the Phase 3 trial of MVA-BN RSV in the elderly in 2022

COVID-19
Advance the development of the COVID-19 vaccine candidate, ABNCoV2 into Phase 2 and scale-up of manufacturing to phase 3 volume levels

Smallpox
Advance the development of smallpox MVA-BN freeze-dried formulation

Immuno-oncology
Further explore intravenous administration of brachyury containing construct within immunotherapy

Innovation remains a cornerstone for Bavarian Nordic



Laurence De Moerlooze
Joined Bavarian Nordic in April 2020 from Takeda Vaccines, where she served as Vice President and Global Program Lead for vaccines against Zika virus and Norovirus. Prior to Takeda she worked at GSK for 17 years, holding various leading roles in regulatory affairs, medical affairs and vaccine development working with numerous life-saving vaccines including Rabipur/RabAvert and Encepur.

MORE THAN A PIPELINE TO BUILD

Two regulatory approvals over the past two years have demonstrated the success of Bavarian Nordic's research and development team and its efforts to transform science into new, life-saving vaccines. However, the successful completion of several pipeline projects combined with a shift in the immune-oncology focus has left room in the clinical pipeline for new projects. To refuel the growth, Bavarian Nordic appointed Laurence De Moerlooze as Chief Medical Officer in 2020. With a strong background in the vaccine industry, Laurence brings a wealth of knowledge and will add important and valuable R&D and commercial experience to the Company.

While an important focus for her is to expand and advance the clinical pipeline, she is equally mindful about the increased responsibilities that comes along having expanded the portfolio of marketed vaccines.

Laurence: My objective as Chief Medical Officer is twofold: first to expand and advance a portfolio of pipeline projects and second to build a Medical Affairs, Pharmacovigilance and Regulatory organization fit to support our commercial vaccines within a governance framework aligned with industry standards. These three functions are key for Bavarian Nordic's commercial transformation journey and success.

New technologies, new opportunities

Bavarian Nordic is recognized for its work on the MVA technology, and the Company's endeavors in the field has led to regulatory approvals of vaccines against smallpox and Ebola, highlighting the strength and versatility of proprietary MVA-BN technology on which both vaccines are based.

In addition, to the wealth of experience with MVA-BN, Bavarian Nordic has a strong expertise with several other platforms being tested with model antigens in non-clinical studies. Furthermore, the Company has licensed a COVID-19 vaccine candidate based on a unique virus-like particle display technology that offers alternative features to be added to the list of potential platforms for future vaccines.

Laurence: Based on the data obtained with these various platforms in pre-clinical and clinical studies, we are committed to select the right platform to advance at least one vaccine candidate with a high medical need in our future development pipeline of infectious diseases.

Immuno-oncology remains a priority

While the successes made in infectious diseases have yet to be demonstrated in the immuno-oncology space, Bavarian Nordic has continued to make advances in its research, which not only is a matter of picking the right candidate, but also how it is being administered to the patients. Intravenous administration of the cancer vaccines is a promising approach designed to utilize broader aspects of the immune response, which is being further explored in 2021.

Laurence: We have recently initiated a clinical study with TAEK-VAC, a fully in-house developed candidate generated from the MVA-BN platform to target HER2- and brachyury expressing cancers. This improved vaccine candidate leverages our extensive experience in immuno-oncology and as a new feature, utilizes intravenous administration which may enhance its efficacy.

At the forefront of RSV development

On a global scale, COVID-19 has become a top priority for vaccine development, also for Bavarian Nordic. However, RSV remains an equally important target, as no vaccines are available against the virus, which causes equally as many deaths worldwide, as influenza. RSV is a key focus for Bavarian Nordic and the Company has one of the most advanced vaccine candidates.

Laurence: RSV remains a high priority in our vaccine development and we are confident that our multivalent candidate is a serious player in the competitive RSV vaccine development landscape. Therefore, in order not to lose momentum, we are planning to conduct a human RSV challenge trial in 2021. Data from this trial is expected already during the second half of 2021 and will provide the first insights into the protective efficacy of the vaccine candidate and further de-risk the Phase 3 efficacy trial that should commence in 2022.

Bavarian Nordic has licensed a COVID-19 vaccine candidate based on a unique virus-like particle display technology

OUR R&D PROGRAMS

Respiratory Syncytial Virus (RSV)

Bavarian Nordic remains at the forefront of the development of a vaccine against RSV, and has generated highly promising Phase 2 results with its candidate, MVA-BN RSV, confirming a broad immune response that persists at least 6 months and can be boosted, without significant safety findings, in the older-adult target population. The broad immune response elicited by the vaccine suggests that it may activate various adaptive immune responses against RSV, which are expected to contribute to different pathways of protection.

A Phase 3 program for the vaccine has been developed and was originally planned to start in 2021. Due to the impact of COVID-19 measures taken globally, the prevalence of other respiratory viruses, including RSV, has been reduced. The planned efficacy study could be adversely affected by the uncertainties associated with potentially low rates of RSV incidence in the 2021/22 season. To maintain the momentum of the program despite the challenges faced by COVID-19, Bavarian Nordic plans to conduct a Phase 2 human challenge trial in 2021, while also postponing the recruitment into the Phase 3 study until 2022. The human challenge trial will generate the first efficacy data against RSV during 2021 and potentially further de-risk the Phase 3 efficacy trial.

COVID-19

In July 2020, Bavarian Nordic licensed a capsid virus like particle (cVLP) COVID-19 vaccine candidate from AdaptVac. The vaccine candidate, ABNCoV2 has shown to be highly immunogenic in relevant pre-clinical models inducing durable responses equivalent to high convalescent sera from patients that have recovered from COVID-19. These responses have led to the demonstration of a durable and highly protective response from a COVID-19 challenge. Coupled with the ease of production and the ability to rapidly adapt the vaccine platform to new potentially more deadly variants, ABNCoV2 looks like a highly promising candidate.

Supported by a Horizon 2020 EU grant, AdaptVac has initiated the first-in-human study of the vaccine candidate in March 2021, and Bavarian Nordic has decided to move the ABNCoV2 project forward by investing in a phase 1/2 clinical trial and to scale up manufacturing to phase 3 volume levels in preparation for further clinical development towards licensure. The Phase 1/2 study will investigate the ability of ABNCoV2 to boost existing immunity through prior infection or vaccination, to create a more durable immune response that could protect against the current circulating variants of COVID-19. In parallel the Company will continue to seek funding to further progress the candidate towards licensure.

Smallpox

As part of Bavarian Nordic's contract framework with the U.S. Government on the development and supply of a non-replicating smallpox vaccine, an improved, freeze-dried formulation of the MVA-BN® smallpox vaccine is being developed.

During 2020, positive topline results from a Phase 3 lot-consistency trial of the freeze-dried formulation of MVA-BN were reported. A prior Phase 2 study showed equivalence between the freeze-dried and liquid-frozen formulations of MVA-BN, and the lot-consistency trial was agreed with the FDA as the only Phase 3 study required to support licensure of the freeze-dried formulation. The Phase 3 study evaluated the immunogenicity and safety of three consecutive vaccine lots in 1,129 vaccinia-naïve persons. The three lots induced equivalent antibody responses, meeting the primary endpoint of the study, while the favorable safety profile was in line with the cumulative safety experience of the approved liquid-frozen formulation. Upon successful completion of the current study, expected in 2021, the Company plans to submit a supplement to the BLA to extend the approval for both formulations of MVA-BN, anticipated in 2022.

Equine encephalitis

Under a contract with the U.S. Government, awarded in 2018, Bavarian Nordic has developed MVA-BN WEV, a vaccine against equine encephalitis virus, an emerging mosquito-borne virus which can result in the rare condition of encephalitis and death.

In June 2020, topline results from the first-in-human trial of MVA-BN WEV were reported. The study enrolled 45 healthy adults in three treatment groups receiving different doses of the vaccine. All subjects were revaccinated after four weeks.

Data from the study showed that the vaccine was well tolerated and immunogenic across all dose groups. Neutralizing antibody responses were observed in all dose groups, with peak levels reached after the second vaccination. Responses were detected as early as 2 weeks after the first vaccination in the highest dose group, in which 100% seroconversion was observed for all subjects after the second vaccination. The most common vaccine-related adverse event was injection site pain.

These clinically meaningful Phase 1 data warrant further clinical investigation, and Bavarian Nordic is seeking additional funding for the further clinical advancement of the vaccine candidate

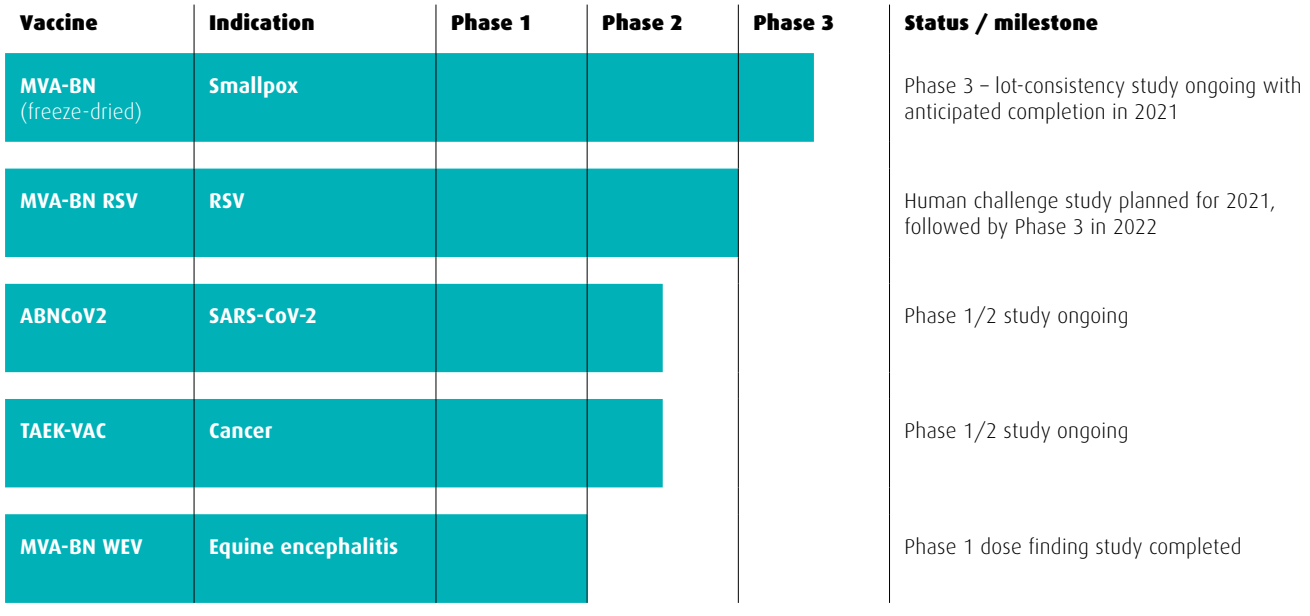
Immuno-oncology

Results from a Phase 2 clinical study of BN-Brachyury in chordoma were reported during 2020. While the study failed to meet its primary endpoint, it provided signs of clinical activity, supporting brachyury as a potentially important immunotherapy target, particularly for chordoma. These intriguing signs of clinical efficacy are also supported by results in chordoma patients following the intravenous administration of BN-Brachyury in a separate trial.

A tumor antibody enhanced therapeutic vaccine (TAEK-VAC) targeting HER2 and brachyury has been generated from the MVA-BN platform. A Phase 1/2 open label trial of intravenous administration of the vaccine, was initiated in early 2021 in patients with advanced HER2- and brachyury-expressing cancers.

PIPELINE

A detailed description of the programs, including results from clinical trials, are disclosed in company announcements and in the pipeline section on the Company's website: www.bavarian-nordic.com.



DRIVEN BY COMMERCIAL EXCELLENCE

2020 represented year one in the commercial transformation of Bavarian Nordic, and a key priority for the Company was the establishment of a full commercial infrastructure to support the new business. Adding this completely new discipline to the Company's list of key competencies was a huge task that we have managed to implement according to plan.

Based in the new Global Commercial Headquarter set up in Zug, Switzerland, the commercial leadership team was established from the beginning of the year, and quickly expanded to include core sales and marketing teams in Europe and the US to cover the key markets. We have built a dedicated sales force in our priority markets as this is one of the key levers to drive market share gain and sales growth.

The primary objective for the new organization is to secure profitable growth of the commercial business which will be driven by a continued focus on retaining and gaining market shares for the established products, Rabipur/RabAvert and Encepur, while also working to establish JYNNEOS/IMVANEX/IMVAMUNE as the global leader for the prevention of smallpox and for JYNNEOS also with respect to the monkeypox indication.

We wish to be recognized for our commercial excellence and aim to become a preferred partner to healthcare professionals, initially for the prevention and treatment of rabies and prevention of tick-borne encephalitis, smallpox and monkeypox. A key success factor to achieve this will be to improve the awareness and image of Bavarian Nordic among key stakeholders.

To achieve our long-term ambition to become one of the largest pure play vaccine companies, we continue to explore opportunities to further expand our portfolio of commercial stage products either organically or through acquisitions.

2021 FOCUS AREAS

Complete market takeovers
Take over physical distribution for Rabipur/RabAvert and Encepur in remaining markets.

Increase awareness
Improve awareness and image of Bavarian Nordic with key stakeholders.

Profitability
Drive profitable growth for Rabipur/RabAvert and Encepur.

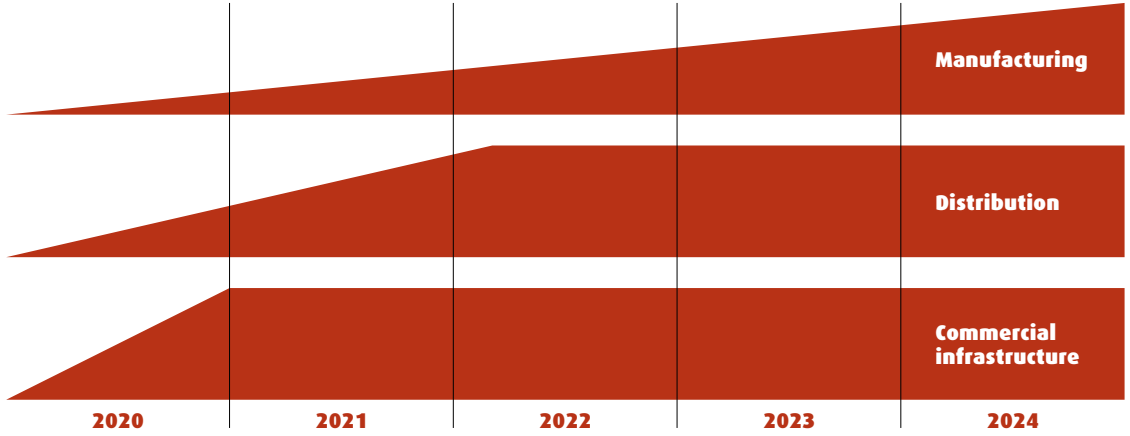
Strong execution continues into 2021

with the commercial infrastructure successfully and timely in place in 2020, the transfer of marketing and distribution of Rabipur/RabAvert and Encepur from GSK was completed during the year in several countries, including key markets, such as U.S. and Germany. By year-end, more than 80% of the expected product revenue was covered by Bavarian Nordic's own distribution or by its partner Valneva, who will manage the marketing and distribution of Bavarian Nordic's products in selected European markets and Canada as part of a commercial partnership, entered in 2020.

Under the partnership with Valneva, Bavarian Nordic will leverage its own commercial infrastructure in the marketing and distribution of Valneva's vaccines for Japanese Encephalitis and cholera in Germany and Switzerland. This is expected to happen at the beginning of 2022.

By March 2021, marketing and distribution in a total of 18 countries were transferred, corresponding to more than 90% of the total product revenue from Rabipur/RabAvert and Encepur, and the Company remains on track to complete the market transfers in 2021.

The five-year transition of Rabipur/RabAvert and Encepur



The five-year transition of Rabipur/RabAvert and Encepur is a process involving all parts of Bavarian Nordic's organization, gradually transferring the responsibilities for the different tasks from GSK to Bavarian Nordic while also gradually improving the profitability of these products for Bavarian Nordic.

In 2020, a full commercial infrastructure was established and by 2021, the Company will have assumed marketing and distribution of the products in all markets.

Transfer of manufacturing will occur stepwise with initial take-over of packing in 2021, fill and finish of vaccines in 2023 and production of the drug substance in 2024. To enable the latter, construction work to expand Bavarian Nordic's facility was initiated in 2020.

Driving awareness for future success

While the recent establishment of the commercial organization and the infrastructure to support the new business has been a success, the commercial presence is still in its very early days for Bavarian Nordic. Although diverse and sound industry experience and deep market knowledge are common denominators for the strong sales and marketing teams that have been hired, the recognition of the Bavarian Nordic brand among relevant stakeholders is still low, as expected. Having established products like Rabipur/RabAvert and Encepur in the portfolio is an important driver for improving the awareness. In addition, the Company has focused its efforts on activities to support this goal whenever new markets have been taken over, and improvements have been observed over the year.

Future growth drivers

While brand awareness, a dedicated salesforce, product availability and commercial excellence are important factors in securing continued profitable growth of the current commercial portfolio, the long-term ambition to become one of the largest pure play vaccine companies will require a broader portfolio of vaccines. The successful track history of bringing our own products to the market is expected to continue, but also the opportunity to expand our portfolio through acquisitions is being explored.

BEST IN CLASS VACCINE MANUFACTURING

One of the important features that provides Bavarian Nordic with a unique profile is the strong in-house vaccine manufacturing capabilities and capacity built over many years. We want to strengthen this expertise and are currently expanding our manufacturing footprint to encompass the full value chain from bulk manufacturing to fill and finish of both liquid and freeze-dried vaccines, as well as increasing bulk capacity and introducing the flexibility to manufacture different bulk vaccines in parallel. The aim is to be a best-in-class vaccine manufacturer with flexibility to support both current and future requirements.

Despite COVID-19, the existing bulk manufacturing continued its operations uninterrupted during 2020 with production of bulk vaccine for several customers according to plan. Likewise, all activities to support commissioning of the new fill and finish facility continued successfully to enable commercial manufacturing of the first product in 2021. Additionally, the work to expand the bulk facility to support the transfer of the manufacturing of Rabipur/RabAvert and Encepur has progressed according to plan.

Kvistgaard site – a center of excellence for vaccine manufacturing

Our manufacturing site in Kvistgaard, north of Copenhagen, has always been an important asset for the Company and has played a pivotal role in reaching our strategic goals.

The site has been operating for more than a decade, manufacturing bulk vaccine for the Company's smallpox vaccine contracts with the U.S. Government. To fulfil other manufacturing needs, the site has been expanded over time, most recently with the addition of a commercial-scale fill and finish facility, which is being put into operations in 2021. Together with the existing manufacturing capabilities, this will enable Bavarian Nordic to control the entire value chain of the manufacturing process from raw materials to final product and distribution.

2021 FOCUS AREAS

Fill and finish

Filling of first commercial vaccine doses in the newly built fill and finish facility

Facility expansion

Completion of construction of new/amended drug substance facility

Tech transfer of Rabipur/RabAvert and Encepur

Progress the manufacturing technology transfer of Rabipur/RabAvert and Encepur according to plan, including completing qualification of packaging performed at a selected contract manufacturer

Fill and finish commencing in 2021
The fill and finish facility is designed to support concurrent aseptic manufacturing of up to three different products in the formulation and filling area at the same time within separated closed systems, so that one drug substance can be formulated while a second is filled and a third is being freeze-dried.

The facility construction was completed in 2019, and during 2020, validation and qualification activities were completed in order to bring the first commercial product on the line in 2021, which will be JYNNEOS/IMVANEX/IMVAMUNE smallpox vaccine in the liquid-frozen formulation. The freeze-dried formulation will be transferred to the line, once the process has been validated and approved by the US in connection with the FDA approval of this improved formulation.

Expanding the facility to support acquired and future products
The significant investment in the two vaccines from GSK also entails additional investments in the manufacturing infrastructure to increase the capacity and flexibility of the current facility.

Therefore, in 2020, we initiated the expansion of our drug substance manufacturing unit, which will enable us to run two different products (viruses) at the same time. This will allow us to transfer the manufacturing of Rabipur/RabAvert and Encepur into a dedicated production unit, while also offering the potential to bring in new technologies for new products.

Rabipur/RabAvert and Encepur are currently manufactured by GSK and the basis of the technology transfer to Bavarian Nordic is an as-is transfer of the current manufacturing process. This transfer will be a staged process, starting with packaging then filling and ending with the transfer of bulk manufacturing. The tight regulation of pharmaceutical technology transfers together with Bavarian Nordic and GSK's commitment to ensure supply to the market makes it a five-year process before final completion. During this time, GSK will continue to manufacture and supply Rabipur/RabAvert and Encepur.

While the current expansion of the facility is expected to be able to fully cover Bavarian Nordic's manufacturing needs in a foreseeable future, the Company last year acquired an adjacent property, securing land for potential future expansions of its the manufacturing footprint.

Facility expansion provides a number of strategic advantages

With the expansion of our drug substance facility and the completion of the fill and finish facility we will:

- Gain more control of our manufacturing value chain
- Increase our overall capacity and enable manufacturing of multiple products at the same time
- Establish a dedicated production unit for Rabipur/RabAvert and Encepur that will ensure sufficient capacity and stable supply to the market
- Enable ourselves to bring in new products and technologies to the site

A future-proof asset

Chief Operating Officer Henrik Birk has been with Bavarian Nordic since 2008, a period where the Company's manufacturing infrastructure has significantly expanded to fulfil the increasing demands for vaccines.

"Our manufacturing journey continues as we in 2021 will put our new fill and finish facility into operations and have also begun the construction to expand our bulk manufacturing capacity to meet the future requirements in our vaccine production."

THE BAVARIAN NORDIC SHARE

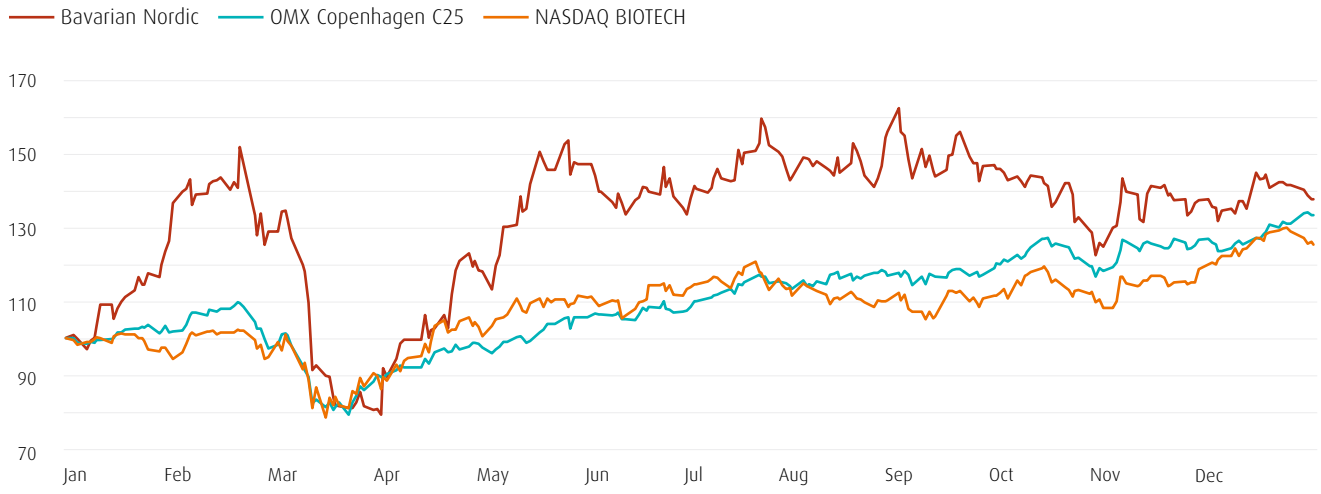
Bavarian Nordic is listed on the Nasdaq Copenhagen exchange under the symbol BAVA. The Company's share capital was DKK 584,501,120 by year-end 2020, comprising 58,450,112 shares with a nominal value of DKK 10 each. Each share carries one vote.

In March 2020, Bavarian Nordic performed a rights issue with pre-emptive rights for its existing shareholders. 25,911,252 new shares with a nominal value of DKK 10 each were subscribed for, raising gross proceeds to of DKK 2,824 million. In addition, 149,795 new shares were issued as a result of warrant exercise by employees during the year.

By December 31, 2020, there were 3,392,989 outstanding warrants, which entitle warrant holders to subscribe for 3,392,989 shares of DKK 10 each. Thus, the fully diluted share capital amounted to DKK 618,431,010 at year-end.

In March 2021, Bavarian Nordic completed a private placement 5,150,000 new shares with a nominal value of DKK 10 each, raising gross proceeds of DKK 1,148 million. At the time of publication of the annual report, the new share capital had not yet been registered with the Danish Business Authority.

Share price development compared to indices



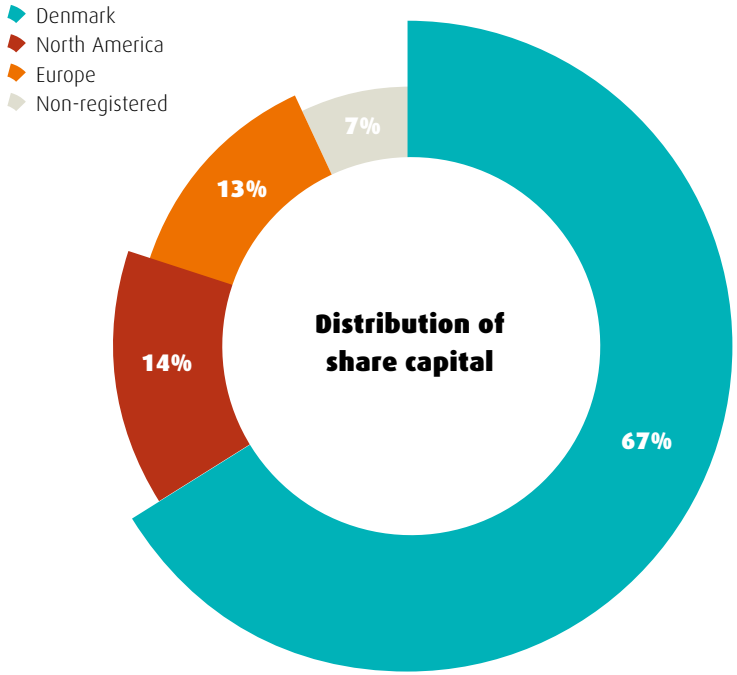
Ownership

As of December 31, 2020, Bavarian Nordic had 69,640 registered shareholders owning 54,555,418 shares. The following shareholders had publicly informed Bavarian Nordic that they own five per cent or more of the Company's shares:
ATP Group, Hillerød, Denmark, 10.11%
Invesco Ltd., Atlanta, GA, USA, 5% (as of November 13, 2020)

Bavarian Nordic held 107,646 own shares as treasury shares, corresponding to 0.18% of the share capital. The shares have been repurchased to hedge obligations under incentive schemes for the Company's Board and Executive Management. See note 30 in the consolidated financial statements.

American Depositary Receipts (ADR)

Bavarian Nordic has established a sponsored Level 1 American Depositary Receipt (ADR) program with Deutsche Bank Trust Company Americas. An ADR is a receipt issued by a depositary bank representing ownership of a company's underlying shares. ADR programs are created to enable U.S. investors to hold shares in non-U.S. companies and trade them in the same way as U.S. securities. Bavarian Nordic ADRs are available for trading in the US over-the-counter (OTC) market, where three ADRs represent one Bavarian Nordic share.



Annual General Meeting

The annual general meeting will be held on Tuesday, April 20, 2021. Additional information will become available at: www.bavarian-nordic.com/agm no later than 3 weeks before the annual general meeting. Shareholders who have requested so will receive a notification via e-mail.

Investor relations

Bavarian Nordic maintains an active dialogue with shareholders, analysts, prospective investors and other stakeholders by providing relevant, timely and correct communication about relevant strategic, economic, financial, operational and scientific affairs of the Company. Management and Investor Relations are widely available to existing as well as potential shareholders via participation in investor conferences, roadshows, investor meetings and conference calls. A list of the current analysts covering Bavarian Nordic can be found at our website along with financial reports, company announcements, investor presentations, and more: www.bavarian-nordic.com/investor.

Are you a shareholder?

Registered shareholders are offered a range of electronic information services through the shareholder portal, which can be accessed from the Company's website. The portal also offers the opportunity to request admission cards and/or vote by proxy for the general meetings. Shareholders are encouraged to have their shares registered with the Company; registration must be through the holder's custodian bank. Shareholders are also encouraged to sign-up for receiving company announcements via e-mail from the Company: www.bavarian-nordic.com/investor.

Financial calendar 2021

April 20, 2021
Annual General Meeting

May 27, 2021
Three-month interim report (Q1)

August 25, 2021
Half-year interim report (Q2)

November 12, 2021
Nine-month interim report (Q3)

Contact

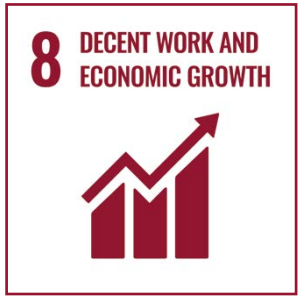
Our investor relations team can be contacted on investor@bavarian-nordic.com.

SUSTAINABILITY

SDG 3
Ensure healthy lives and promote well-being for all at all ages

SDG 4
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

SDG 5
Achieve gender equality and empower all women and girls



SDG 8
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG 12
Ensure sustainable consumption and production patterns

SDG 13
Take urgent action to combat climate change and its impact

SDG 16
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Our impact on global health

No other health intervention touches so many lives as vaccines. The development of new vaccines and increased vaccination efforts, particularly in developing countries, have helped to significantly reduce the incidence of major communicable, life-threatening diseases. It is estimated that vaccines have reduced these diseases by more than 90% over the past three centuries[1].

Vaccines work, and they contribute to the U.N. sustainable development goal[2] (SDG) number 3, "Good health and well-being" all around the world. However, according to Gavi[3], immunization positively impacts, directly or indirectly, 14 of the 17 SDGs that support the 2030 Agenda for Sustainable Development.

Our contribution, as a vaccine company, may seem small in the global perspective, but we are here to help achieve the goal for securing good health and well-being of all humans.

Growing responsibly

While pursuing our vision to become one of the largest pure play vaccines companies, improving and saving lives by excelling in R&D

[1] www.who.int/immunization/monitoring_surveillance/data/gs_gloprofile.pdf
[2] www.un.org/sustainabledevelopment/sustainable-development-goals/
[3] www.gavi.org/about/ghd/sdg/

innovation, manufacturing and commercialization, we recognize the importance of protecting and taking care of the world around us, act responsibly in all matters, particularly focusing on minimizing the environmental impact from our production, but also on the safety and well-being of our employees, as well as other areas of relevance to our business.

We seek to communicate openly and transparently about our CSR efforts in our annual CSR report which constitutes an independent part of the annual report and covers sections 99a, 99b and 107d of the Danish Financial Statements Act.

Download the full CSR report at www.bavarian-nordic.com/csr

ESG key figures

Key figures for selected environmental social and governance areas are provided in accordance with the recommendations set out in "ESG key figures in the annual report", June 2019 (revised December 2020) from the Danish Finance Society / CFA Society Denmark, FSR – Danish Auditors, and Nasdaq Copenhagen. For the sections regarding environmental and social data in the table below, the data has been subject to an independent auditor's review in the form of limited assurance. The Independent Auditor's Assurance Report can be found in our CSR-report.

	Unit	2020	2019	2018	2017	2016
Environmental data[1]						
CO_2e, scope 1	Metric tons	1,381	909	964	992	1,135
CO_2e, scope 2	Metric tons	1,175	1,178	1,398	1,686	1,519
Energy Consumption	GJ	45,110	34,137	32,527	32,099	34,567
Water Consumption	m^3	19,170	14,770	11,610	10,877	12,479
Social data[1]						
Full-Time Workforce	FTE	607	465	421	439	446
Gender Diversity[2]	%	61	N/A	N/A	N/A	N/A
Gender Diversity, Management	%	56	51	50	49	52
Employee Turnover Ratio	%	9	10	13	18	15
Sickness Absence[3]	Days per FTE	6	6	6	8	8
Governance data[4]						
Gender Diversity, Board	%	28	28	14	14	0
Board Meeting Attendance Rate[5]	%	97	98	97	N/A	N/A
CEO Pay Ratio	Times	15	N/A	N/A	N/A	N/A

[1] Data derived from the Company's CSR reports 2016-2020.
[2] Data not collected before 2020.
[3] Sickness absence does not include offices in the USA.
[4] Data derived from the Company's annual reports 2016-2020, except for CEO pay ratio, which is presented in the 2020 remuneration report.
[5] Data not collected before 2018.

CORPORATE GOVERNANCE

Bavarian Nordic remains focused on good corporate governance, having implemented the recommendations from the Committee of Corporate Governance (Komitéen for god selskabsledelse) for companies listed on the Nasdaq Copenhagen exchange.

Management believes that the Company is operated in compliance with guidelines and recommendations that support the Company's business model and can create value for Bavarian Nordic's stakeholders. Regularly and at least once a year, Management monitors adherence to the recommendations on corporate governance in order to ensure the best possible utilization of and compliance with the recommendations and legislation.

In accordance with Section 107 b of the Danish Financial Statements Act, Bavarian Nordic has published a statutory report on Corporate Governance for the financial year 2020 on the Company's website: www.bavarian-nordic.com/corporategovernance.

The Board of Directors

The Board of Directors ("the Board") is responsible for the overall strategic management and the financial and managerial supervision of Bavarian Nordic, as well as for regular evaluation of the work of the Corporate Management. In addition, the Board supervises the Company in a general sense and ensures that it is managed in an adequate manner and in accordance with applicable law and the Company's articles of association. The Board discharges its duties in accordance with the rules of procedure of the Board, which are reviewed and updated by all members of the Board..

Diversity in the Board

The Board of Directors currently has a representation of two female members elected by the shareholders, corresponding to 28%, which is above the current target of 15%. The target is being reassessed in 2021.

Evaluation of the Board

The Board and its subcommittees conduct every year a self-evaluation of the Board's and subcommittee's work, accomplishments and composition. The Chairman heads the annual evaluation, which is conducted at least every third year by an external consultant. The process, whether it is facilitated internally or by external consultants, evaluates

topics such as board dynamics, board agenda, quality of the material that is submitted to the Board, discussions at the Board meetings, the chairman's leadership of the Board, strategy, Board composition and Board competencies. Typically, the process is further facilitated by each Board member filling out a detailed questionnaire, and the Board members are asked to score to which extent they agree to the individual questions. The results of the questionnaire are then discussed at a subsequent Board meeting, and the individual comments submitted are used in the planning and handling of future Board meetings. The 2020 self-evaluation was facilitated by an external consultant and, in general, key conclusions were positive with a continued satisfaction with the Board's work as well as the work in the committees. Organizational development and continued optimization of Board efficiency will also be a focus area in 2021.

For more details on the work and composition of the Board and its committees, reference is made to the statutory report on Corporate Governance on the Company's website: www.bavarian-nordic.com/corporategovernance.

Tax policy

A tax policy describing our governing principles by which we manage our tax affairs was approved by the Board in November 2020 and is available on the Company's website: www.bavarian-nordic.com/about/corporate-governance/tax-policy.aspx.

Remuneration policy and report

The remuneration of the Board and the Executive Management is governed by the Company's remuneration policy which was updated in 2020 and subsequently approved by the shareholders at the annual general meeting in June 2020.

In accordance with section 139 b in the Danish Companies Act, Bavarian Nordic has prepared a report on the remuneration of the individual members of the Board and Executive Management in 2020, The report is available on the Company's website: www.bavarian-nordic.com/corporategovernance.

→ RISK MANAGEMENT

At Bavarian Nordic risk management is an integrated part of the Company's operations. A formal process ensures both bottom-up and top-down identification and handling of risks. In this process key risks are first identified through a bottom-up process including description of the risks and mitigating actions taken to reduce either the likelihood of occurrence or the potential impact. Residual risk after agreed mitigating actions is further mitigated by insurance where this is relevant and possible.

On a quarterly basis major risks are reported to the Finance, Risk & Audit Committee (FRAC) and discussed at these meetings. During the year specific risks are selected for more in-depth discussions with FRAC involving the operational owner of the specific risk. The Board of Directors receives regular risk updates from FRAC which then form part of the Board's overall decisions about the Company's strategy. The table below summarizes some of the key risks that are important to Bavarian Nordic's business including examples of mitigating actions. ■

Risk area	Risks	Mitigating actions
Development	The development of a product can be delayed or even abandoned. The process involves pre-clinical and clinical tests as well as regulatory approval and even approval of manufacturing facilities in some cases. All steps through development are associated with risks and can fail. Competitors can develop more promising product candidates, potentially reducing the value of Bavarian Nordic's pipeline and products. Some development projects require funding from third parties and if this is not available it can result in delays or even termination of the project.	• Close dialogue with authorities (e.g. FDA) to secure optimal path to approval and compliance with GMP etc. • Strong quality system in place to ensure compliance with standards agreed with and required by authorities. • Use of adaptive trial designs to minimize financial risk and impact of failure. • Maintain good dialogue and relations with key existing or potential sponsors of development (see partnering further below).

Risk area	Risks	Mitigating actions
Laws and regulations	Not complying with laws and regulations could damage the Company's reputation, result in significant fines and impede the Company's ability to operate.	• Internal legal resources available. • Monitor development in relevant laws and regulations. • Allocation of internal resources to secure adaptation of new rules and regulations. • Establish internal compliance structure and governance related to commercial operations.
Financing	Lack of funds could eventually make it difficult for the company to pursue the strategy involving among others investments in development and manufacturing facilities.	• Ensure good financial visibility by forecasting. • Secure optimal timing of income from partner agreements. • Maintain working capital at appropriate levels to free liquidity. • Keep spending and investment level at appropriate levels to stretch liquidity runway. • Secure constant knowledge about financing options available in the market. • Secure access to bank financing if/when needed.
Cybersecurity	Disruptions to IT systems, e.g. caused by a virus attack or hacking, may happen and could have significant impact on the company's ability to operate effectively.	• Internal procedures and resources for continuous security monitoring and vulnerability assessment. • Continuous development of preventative measures. • Continuous internal IT security training to build awareness. • Involvement of a third-party cyber security specialist to ensure a constant overview of threats and preventative measures available. • Perform annual security penetration tests and audits by third party.

Risk area	Risks	Mitigating actions
Supply and manufacturing	Disruptions to the supply chain caused by break-downs in facilities, third party supply and/or manufacturing issues or similar could have a significant impact on the ability to supply products and could impact both customer relations and financial performance. Issues potentially causing delay in the transfer of manufacturing of Rabipur/RabAvert and Encepur from GSK to Bavarian Nordic could negatively impact expected future margins.	• Internal quality audits, including mock inspections. • Secure adequate inventory and supply chain strategy including dual sourcing. • Shelf-life extension initiatives. • Disaster recovery plans and back-up strategies. • Dedicated and competent organization focusing on the transfer of manufacturing from GSK to Bavarian Nordic. • Dedicated and competent organization responsible for manufacturing planning.
Commercialization	Bavarian Nordic is facing market competition from companies that are significantly larger in size and resources available than Bavarian Nordic. If Bavarian Nordic cannot effectively compete in these markets it will have a negative effect on future revenue and profit. Geopolitical or macroeconomic changes or health crisis, e.g. pandemics, could impact demand, pricing and access to vaccinations.	• Secure a very engaged and competent sales, marketing and medical affairs organization. • Leverage focus rather than size vis-a-vis competition. • Look for and leverage differentiation. • Build strong relations through dedication and focus to achieve preferred supplier status.
Partnering	Partnering with other companies and government bodies in the industry is a central element of the Company's strategy. Loss of partnerships, e.g. due to collaboration issues, failed projects or similar, could have a significant impact on the Company's reputation and future performance.	• Frequent interactions with partners to build and maintain common understanding. • Processes in place to resolve potential issues.

Risk area	Risks	Mitigating actions
Attraction and retention of talent	Not being able to attract and retain sufficient and right talents could impact the Company's ability to perform at high standards and compete against other companies.	• Perform employer branding. • Provide training and development. • Offer competitive remuneration package. • Identifying and working with key talents.
Intellectual property rights (IP)	The validity of patents is crucial for the company to secure future revenues and return on the investments made in development. Patents might be challenged by competitors.	• Dedicated and experienced resources involved in the filing of patent applications to minimize vulnerability to future invalidity actions, and with ability to defend patents if such actions are filed.
Currency exposure and tax disputes Currency risks and additional financial risks are further explained in note 24 in the consolidated financial statements.	Significant fluctuations in the DKK/USD and DKK/EUR exchange rates will impact financial statements and potential disputes with tax authorities could result in additional tax payments.	• Aim to create natural hedges by matching income and expenses in USD and EUR. • Material net USD exposure is hedged using FX contracts or options. Material net EUR exposure can also be hedged using FX contracts. • Taxes are paid where the Company operates, and intercompany transactions are priced and governed by agreements in compliance with OECD's transfer pricing guidelines. • Proactive work with tax authorities to ensure alignment on tax situation and avoidance of negative surprises.

MANAGEMENT OF BAVARIAN NORDIC

BOARD OF DIRECTORS

The Board consists of seven external members elected by the shareholders at the annual general meeting for terms of one year; retiring members are eligible for re-election. The Board elects a chairman from among its members. Currently the Board has no employee-elected members. However, upon request from the employees, a yes/no vote took place in 2020, resulting in a decision to elect employee representatives to the Board. This election will take place in 2021.

Gerard van Odijk

Anders Gersel Pedersen

Elizabeth McKee Anderson

Anne Louise Eberhard

Frank Verwiel

Erik Gregers Hansen

Peter Kürstein

Board Committees

To support the Board in its duties, the Board has established three subcommittees that are charged with reviewing issues pertaining to their respective fields that are due to be considered at board meetings. Written charters specifying the tasks and responsibilities for each of the committees are available on the Company's website. In addition to the Finance, Risk and Audit Committee and the Nomination and Compensation Committee, a Science, Technology and Investment Committee was established during 2020.

	Gerard van Odijk, MD	Anders Gersel Pedersen, MD, PhD	Erik Gregers Hansen, MSc	Peter Kürstein, MBA
	Former president and chief executive officer of Teva Pharmaceuticals Europe B.V.	*Former Executive Vice President of Research & Development of H. Lundbeck A/S.*	*Professional board member.*	*Former president and chief executive officer of Radiometer Medical ApS.*
	Member of the board since 2008 and chairman since 2014. Chairman of the Nomination and Compensation Committee since 2015 and member of the Science, Technology and Investment Committee since 2020. Current term expires in 2021.	Member of the board since 2010 and deputy chairman since 2014. Member of the Nomination and Compensation Committee and the Science, Technology and Investment Committee since 2020. Current term expires in 2021.	Member of the board since 2010. Member of the Finance, Risk and Audit Committee since 2015 and the Science, Technology and Investment Committee since 2020. Current term expires in 2021.	Member of the board since 2012. Member of the Nomination and Compensation Committee since 2015 and the Finance, Risk and Audit Committee since 2020. Current term expires in 2021.
	Not independent Nationality: Dutch Born in: 1957	Independent Nationality: Danish Born in: 1951	Independent Nationality: Danish Born in: 1952	Independent Nationality: Danish Born in: 1956
Current positions	Chairman of the supervisory board of Hubrecht Organoid Technology. Member of the supervisory board of Centre for Human Drug Research.	Member of the board of Genmab A/S, Hansa Biopharma AB and Bond Avillion 2, an entity of Avillion LLP. Chairman of the board of Aelis Farma.	Chairman of the board of Polaris Management A/S, TTiT A/S, TTiT Ejendomme A/S, TTiT Landbrug A/S and Sirius Holding ApS. Deputy chairman of the board of Lauritzen Fonden, Okono A/S, Bagger-Sørensen Fonden and Bagger-Sørensen & Co. A/S and four of its five subsidiaries. Member of the board of Saga Private Equity ApS, Lesanco ApS, Ecco Sko A/S, Farumgade 2B Holding ApS and its subsidiary and Wide Invest ApS. Member of the executive board of Rigas Holding ApS and its 3 subsidiaries, Sirius Holding ApS, Tresor Asset Advisers ApS, Polaris Invest II ApS and EGH Gentofte ApS.	Chairman of the board of Radiometer Medical ApS and Ferrosan Medical Devices Holding A/S. Deputy Chairman of the board of FOSS A/S, Experimentarium and American Chamber of Commerce. Member of the board of N. Foss & Co. A/S and Den Erhvervsdrivende Fond Gl. Strand, Dansk BørneAstma Center and Art Agenda 2030. Member of the executive board of Mijamax ApS.
Special competences	Medical qualifications and extensive executive background within publicly traded and private companies in the international healthcare industry.	Scientific knowledge and large drug development experience within neuroscience and oncology. Extensive board and management experience from publicly traded, international pharmaceutical and biotech companies.	Training and experience in and thorough understanding of managing finance operations and experience with publicly traded companies.	Extensive board and management experience from publicly traded, international healthcare companies.
Meeting Attendance	Board of Directors 14/15 Nomination and Compensation Committee 8/8 Science, Technology and Investment Committee* 2/2	Board of Directors 15/15 Finance, Risk and Audit Committee 3/3 Nomination and Compensation Committee 3/3 Science, Technology and Investment Committee* 2/2	Board of Directors 15/15 Finance, Risk and Audit Committee 6/6 Science, Technology and Investment Committee* 2/2	Board of Directors 15/15 Finance, Risk and Audit Committee 3/3 Nomination and Compensation Committee 8/8

	Frank Verwiel, MD, MBA	Elizabeth McKee Anderson, MBA	Anne Louise Eberhard, MSc. Law.
	Former president and chief executive officer of Aptalis Pharma, Inc.	*Former worldwide vice president, Global Strategic Marketing and Market Access, Infectious Diseases and Vaccines for Johnson&Johnson.*	*Former Senior Executive Vice President of Danske Bank A/S.*
	Member of the board since 2016. Member of the Finance, Risk and Audit Committee since 2016 and the Nomination and Compensation Committee since 2020. Current term expires in 2021.	Member of the board since 2017. Chairman of the Science, Technology and Investment Committee since 2020. Current term expires in 2021.	Member of the board since 2019. Member of the Finance, Risk and Audit Committee since 2019 and Chairman since 2020. Current term expires in 2021.
	Independent Nationality: Dutch, now resident of the United States Born in: 1962	Independent Nationality: American Born in: 1957	Independent Nationality: Danish Born in: 1963
Current positions	Chairman of the board of ObsEva SA and member of the board of Intellia Therapeutics, Inc.	Member of the board of Revolution Medicines Inc., BioMarin Pharmaceutical Inc., Insmed Inc., Aro Biotherapeutics Company and a member of the advisory Board of NAXION, Inc. Trustee of The Wistar Institute and principal of PureSight Advisory, LLC.	Member of the board of FLSmidth & Co. A/S and its subsidiary FLSmidth A/S, Topdanmark A/S and its subsidiary Topdanmark Forsikring A/S, Knud Højgaards Fond and two of its three subsidiaries and VL 52 ApS. Chairman of the board of Moneyflow Group A/S and its subsidiary Moneyflow 1 A/S. Deputy Chairman of the board of Finansiel Stabilitet SOV. CEO of EA Advice ApS. Faculty Member at Copenhagen Business School, Board Educations.
Special competences	Extensive strategic, operational and international experience within the pharmaceutical industry.	Extensive strategic, operational and international experience within the pharmaceutical industry.	Extensive strategic, finance and risk management experience as well as board experience from publicly listed companies.
Meeting Attendance	Board of Directors 15/15 Finance, Risk and Audit Committee 6/6 Nomination and Compensation Committee 3/3	Board of Directors 14/15 Nomination and Compensation Committee 5/5 Science, Technology and Investment Committee* 2/2	Board of Directors 14/15 Finance, Risk and Audit Committee 6/6

EXECUTIVE MANAGEMENT

Paul Chaplin
President and Chief Executive Officer

Paul Chaplin, PhD is a British national, born in 1967. He joined Bavarian Nordic in 1999 as director of immunology. Prior to joining the Company, Mr. Chaplin worked for several years both in the UK and Australia developing vaccines against infectious diseases. He was appointed vice president in 2004, and president and chief executive officer in 2014.

Henrik Juuel
Executive Vice President, Chief Financial Officer

Henrik Juuel, MSc is a Danish national, born in 1965. He joined Bavarian Nordic in November 2018 from Orexo AB. Prior to Orexo Mr. Juuel has held senior positions at several large and diverse organizations including Group CFO of Virgin Mobile (Central and Eastern Europe), CFO of GN ReSound and NNE Pharmaplan, as well as several senior finance positions at Novo Nordisk

Henrik Birk
Executive Vice President, Chief Operating Officer

Henrik Birk, MBA is a Danish National, born in 1974. He joined Bavarian Nordic in 2008 from Coloplast and has since served in various management positions of increasing responsibility, most recently as Senior Vice President, Strategy, People and Organization. Mr. Birk was appointed executive vice president and chief operating officer in 2017.

Positions: Member of the board of Kompagniet.nu ApS and VIRKSOMHEDSCENTER-KBH ApS.

Tommi Kainu
Executive Vice President, Chief Business Officer

Tommi Kainu, MD, PhD is a Finnish national, born in 1972. He joined Bavarian Nordic in 2017 from Boston Consulting Group (BCG) where he served for almost two decades, most recently as a partner and managing director. Prior to BCG, Dr. Kainu worked at the National Institutes of Health (USA) in the Cancer Genetics Branch of the National Human Genome Research Institute.

Paul Chaplin

Henrik Juuel

Henrik Birk

Tommi Kainu

Jean-Christophe May

Anu Helena Kerns

Laurence De Moerlooze

Jean-Christophe May
Executive Vice President, Chief Commercial Officer

Jean-Christophe (JC) May, PharmD, MBA is a French national, born in 1967. He joined Bavarian in January 2020 from GlaxoSmithKline (GSK), where he served as vice president and global vaccines commercialization leader and was responsible for global strategic leadership and performance of several lifesaving vaccines, including Rabipur/RabAvert and Encepur, which Bavarian Nordic acquired from GSK in 2019.

Laurence De Moerlooze
Executive Vice President, Chief Medical Officer

Laurence De Moerlooze, PhD is a Belgian national, born in 1964. She joined Bavarian in April 2020 from Takeda Vaccines, where she served as Vice President and Global Program Lead for vaccines against Zika virus and Norovirus. Prior to Takeda she worked at GSK for more than 15 years, holding various leading roles in medical affairs and vaccine development working with numerous life-saving vaccines including Rabipur/RabAvert and Encepur.

Anu Helena Kerns
Executive Vice President, People and Organization

Anu Helena Kerns, MSc is a Danish national, born in 1972. She joined Bavarian Nordic in November 2020 from Novo Nordisk, where she served for 11 years holding various leadership roles with increasing responsibilities, including 5 years abroad where she was responsible for establishing a new regional organizational structure and driving the HR development and communication strategy. Prior to Novo Nordisk, Ms. Kerns worked for 8 years in the financial sector with employer branding, reputation management and change communication.

FINANCIAL REVIEW 2020

The financial review is based on the Group's consolidated financial information for the year ended December 31, 2020, with comparative 2019 figures for the Group in brackets. There is no significant difference in the development of the Group and the Parent Company (except if noted specifically below).

In 2020, the Company generated revenues of DKK 1,852 million (DKK 662 million) compared to a guidance of DKK 1,900 million. The income before interest and taxes (EBIT) was DKK 380 million (loss of DKK 328 million) and EBITDA was an income of DKK 740 million (loss of DKK 271 million) compared to a guided income of DKK 725 million. EBITDA came in slightly better than guided due to continued tight focus on cost and profitability.

Securities, cash and cash equivalents as of December 31, 2020 amounted to DKK 1,670 million (DKK 472 million) compared to a guidance of DKK 1,600 million. The year-end cash position exceeded guidance due to phasing of ongoing investments and working capital movements. This was achieved without draw-down of existing credit facilities of DKK 244 million. Due to the strong cash position the draw-down was deferred to 2021.

INCOME STATEMENT

Revenue

Revenue for the year was DKK 1,852 million (DKK 662 million). Revenue in 2020 significantly increased over 2019 as a result of the commercial transformation of Bavarian Nordic following the acquisition of two commercial vaccines, Rabipur/RabAvert and Encepur. COVID-19 negative impact on Rabipur/RabAvert and Encepur revenue was limited to approximately DKK 200 million by strong brand performance in key markets and largely offset by better than originally expected JYNNEOS revenue. A USD weakening against DKK had some negative impact on RabAvert revenue in the last two months of 2020.

Revenue from product sales was DKK 1,623 million (DKK 324 million) composed of sale of Rabipur/RabAvert of DKK 628 million (DKK 0 million), Encepur of DKK 455 million (DKK 0 million) and sale of smallpox bulk drug substance batches and liquid frozen vials to the U.S. Government of DKK 541 million (DKK 324 million).

Revenue from ongoing contract work amounted to DKK 162 million (DKK 338 million) mostly related to revenue from the U.S. Biomedical Advanced Research and Development Authority (BARDA) for running the Phase 3 study for the freeze-dried smallpox vaccine and the funding to support qualification of the new fill and finish facility as well as the transfer and validation of the freeze-drying production process.

During 2020 the Company received a milestone payment of DKK 67 million (DKK 0 million) from Janssen following the European Commission's grant of the marketing authorization for Janssen's Ebola vaccine regimen.

In the Parent Company revenue was DKK 31 million higher than in the Group due to internal sales related to RabAvert sales in the US.

Production costs

Production costs amounted to DKK 1,195 million (DKK 355 million). Costs related directly to revenue amounted to DKK 689 million (DKK 307 million) of which cost of goods sold totaled DKK 585 million (DKK 87 million).

Other production costs totaled DKK 233 million (DKK 48 million) and includes an accrual for write-down of obsolete products related to the distribution switch of Rabipur/RabAvert and Encepur from GlaxoSmithKline. Write-down on other inventory amounted to net DKK 25 million (DKK 4 million).

The product rights to Rabipur/RabAvert and Encepur are amortized over 20 years with an annual amortization of DKK 273 million and recognized as production costs.

Sales and distribution costs

The sales and distribution costs amounted to DKK 286 million (DKK 53 million) split between costs for distribution of products DKK 113 million (DKK 0 million) and costs for running the commercial organization and activities DKK 173 million (DKK 53 million).

Research and development costs

The total research and development spending were DKK 446 million (DKK 628 million). The amount included research and development spend for funded contract costs of DKK 104 million (DKK 219 million). These costs are recognized as production costs in the income statement. The amount shown as research and development costs in the income statement totaled DKK 341 million (DKK 409 million), see note 6.

The higher research and development costs in 2019 were primarily explained by costs associated with formulation work on RSV. Following the Company's decision not to invest further in the development of CV301, the CV301 intangible asset was fully written down in 2019. The write-down of DKK 22 million was recognized as research and development costs in the consolidated financial statements for 2019.

Administrative costs

Administrative costs totaled DKK 278 million (DKK 173 million), an increase of DKK 105 million compared to last year. The increase follows the acquisition of Rabipur/RabAvert and Encepur and include e.g. project management for the ongoing transfer project, service fee to GlaxoSmithKline for their contribution to the project, and increased IT costs for implementation of new systems required to run a full-scale commercial business.

Non-recurring costs

The integration and transfer of Rabipur/RabAvert and Encepur from GlaxoSmithKline necessitates expenses that by nature are no-longer needed after a full transition. Examples are use of consultants to establish distribution infrastructures, program management resources, implementation of new IT systems, recruitment costs etc. Some of these costs are one-off for 2020 and some will remain until the transfer is complete. The non-recurring costs amounted to approximately DKK 75 million in 2020.

Other operating income

Other operating income totaled DKK 628 million (DKK 0 million) and regards the sale of the Priority Review Voucher, granted to the Company by the FDA in connection with the approval of JYNNEOS in 2019. The sale of the Priority Review Voucher was concluded in the first quarter of 2020.

EBIT/EBITDA

Income before interest and tax (EBIT) was positive with DKK 380 million (loss of DKK 328 million).

EBITDA was an income of DKK 740 million (loss of DKK 271 million). Amortization of product rights related to Rabipur/RabAvert and Encepur amounted to DKK 273 million (DKK 0 million) whereas depreciation and impairment losses on other fixed assets amounted to DKK 87 million (DKK 57 million).

Financial income and financial expenses

Financial income was DKK 98 million (DKK 23 million) and consisted of adjustment of deferred consideration to GlaxoSmithKline due to change in estimated timing of payments, DKK 68 million (DKK 0 million), currency adjustments on deferred consideration due to decreased EUR/DKK rate during 2020, DKK 12 million (DKK 0 million), interest income on securities of DKK 9 million (DKK 16 million), fair value adjustments on securities of DKK 7 million (net loss of 15 million) and net gains on derivative financial instruments of DKK 2 million (DKK 6 million).

Financial expenses were DKK 196 million (DKK 39 million) and consisted of unwinding[1] of the discount related to deferred consideration, DKK 145 million (DKK 0 million), interest expense on debt of DKK 32 million (DKK 18 million) and a net foreign exchange loss of DKK 19 million (DKK 5 million).

The net value adjustment of deferred consideration to GSK was an expense of DKK 65 million, consisting of the three components described above.

In the Parent financial statements, the financial income was DKK 120 million (DKK 50 million) and included interests on receivables from subsidiaries of DKK 22 million (DKK 24 million). The financial expenses were DKK 275 million (DKK 95 million) and included write-down of receivables from subsidiaries of DKK 34 million (DKK 61 million).

Income before company tax was positive with DKK 282 million (loss of DKK 345 million).

[1]The deferred consideration for product rights is measured at net present value and the difference between the net present value and the amounts due is recognized in the income statement as a financial expense over the period until expected payment date using the effective interest method.

Tax on income for the year

Tax on the income for the year was an expense of DKK 4 million in Bavarian Nordic GmbH (DKK 2 million), corresponding to an effective tax rate for the Group of 1.6% (negative 0.6%). The effective tax rate for 2020 was low due to significant tax-deductible amortization on the acquired product rights creating a deferred tax liability which was offset by a reduction in non-recognized deferred tax assets. The new Danish tax scheme allowing 30% 'step-up' deduction for costs related to research and development activities paid by Danish entities also reduced the effective tax rate as this is a non-incurred expense deductible for tax purposes. The tax scheme has a tax value for the Company of DKK 13 million. The effective tax rate for 2019 was impacted by the increase in non-recognized tax asset.

The parent company's taxable income for the full year of 2020 was zeroed out by utilization of taxable amortization on the acquired product rights. No tax loss carry forwards were utilized. The deferred tax asset on the balance sheet remains at DKK 0 million. The Company retains the right to use the tax losses carried forward that was written down in prior years.

Net profit

The Group reported a net profit for the year of DKK 278 million (net loss of DKK 347 million).

Liquidity and capital resources

As of December 31, 2020, the Company had cash and cash equivalents of DKK 285 million (DKK 297 million) and held investments in securities of DKK 1,384 million (DKK 175 million). The Company also maintained unutilized credit lines of DKK 244 million (DKK 244 million) as of such date.

Cash flows

Net cash flow from operating activities totaled DKK 572 million (net spend of DKK 276 million), with a significant contribution from the sale of the Priority Review Voucher.

Cash flow spend on investment activities totaled DKK 1,912 million (DKK 810 million) following net investments in securities of DKK 1,202 million (net sale of DKK 1,861 million) after sale of the Priority Review Voucher and the completion of the rights issue. Cash flow from investment activities also included DKK 394 million (DKK 0 million) in milestone payments to GlaxoSmithKline, DKK 205 million (DKK 360 million) of investments in property, plant and equipment related to finalization of the fill-and-finish plant and the ongoing expansion of the bulk facility for future production of Rabipur/RabAvert and Encepur. Investment in other intangible assets amounted to DKK 108 million (DKK 3 million) and included the ongoing Rabipur/RabAvert and Encepur technology transfer project, IT system investments and milestone payments under the license agreement with AdaptVac.

Cash flow from financing activities was a contribution of DKK 1,335 million (DKK 1,115 million), following the rights issue with a net proceed of DKK 2,721 million partly offset by repayment of the bridge loan by DKK 1,373 million.

The net cash flow for 2020 was negative by DKK 5 million (DKK 29 million positive).

BALANCE SHEET

The balance sheet total was DKK 8,759 million as of December 31, 2020 (DKK 7,047 million).

Assets

Intangible assets stood at DKK 5,291 million (DKK 5,484 million) with the main asset being the product rights to Rabipur/RabAvert and Encepur of DKK 5,186 million (DKK 5,459 million). The product rights are amortized on a straight-line basis over their expected useful lives of 20 years with an annual amortization of DKK 273 million.

In July 2020, the Company concluded a license and collaboration agreement with AdaptVac. The license agreement provides Bavarian Nordic the global commercialization rights to a COVID-19 vaccine candidate based on AdaptVac's technology. Under the terms of the agreement, Bavarian Nordic made an upfront payment of EUR 4 million to AdaptVac. The upfront payment has been capitalized and recognized as acquired patents and licenses.

Property, plant and equipment stood at DKK 1,011 million (DKK 846 million) and included asset under construction of DKK 213 million (DKK 618 million). Assets under construction relates mainly to the fill and finish manufacturing facility in Kvistgaard and the ongoing expansion of the bulk facility for future production of Rabipur/RabAvert and Encepur. As per December 31, 2020 investments in the fill and finish building, the installations and the freezedryer, filing and packaging line were transferred to the relevant asset groups, whereas other production equipment was still recognized as asset under construction. The depreciation of the fill and finish building and equipment will start in 2021.

Inventories stood at DKK 521 million (DKK 101 million), of which the inventory of Rabipur/RabAvert and Encepur products amounted to DKK 308 million (DKK 0 million) as per December 31, 2020.

Receivables stood at DKK 190 million (DKK 82 million), of which trade receivables amounted to DKK 139 million (DKK 43 million) mainly related to sale of Rabipur/RabAvert and Encepur products.

As of December 31, 2020, cash and securities stood at DKK 1,670 million (DKK 472 million). The increase in the cash position follows the sale of the Priority Review Voucher and the rights issue partly offset by the repayment of the bridge loan.

Bavarian Nordic's cash and cash equivalents are primarily invested in deposit accounts with highly rated banks and in short-term Danish government and mortgage bonds.

Equity

After the transfer of the profit for the year, equity stood at DKK 4,894 million (DKK 1,865 million). Net proceeds from the rights issue in March 2020 amounted to DKK 2,721 million.

Liabilities

The present value of the future milestone payments to GlaxoSmithKline for the acquisition of the product rights has been recognized as deferred consideration. Deferred consideration amounted to DKK 2,823 million (DKK 3,151 million), a decrease of DKK 329 million compared to December 31, 2019. Two milestone payments were paid to GlaxoSmithKline during 2020 following the transfer of the marketing authorizations for the main markets. In 2020, the Company also paid an adjustment to the upfront consideration. Total payment to GlaxoSmithKline amounted to DKK 394 million. The adjustment of the net present value of the deferred consideration, both in terms of change in assumed timing of the future milestone payments and unwinding of the discount, amounted to DKK 65 million.

The deferred consideration does not include the sales milestone of EUR 25 million included in the asset purchase agreement with GlaxoSmithKline as the Company does not assess the sales milestone to be probable as of December 31, 2020.

As of December 31, 2020, debt to credit institutions amounted to DKK 395 million (DKK 1,771 million) and included the European Investment Bank loan of DKK 372 million (DKK 372 million) and a mortgage loan of DKK 23 million (DKK 25 million). In December 2019, the Company utilized the obtained bridge loan facility to partly fund the upfront payment to GlaxoSmithKline. The bridge loan was repaid end March 2020 when the rights issue was completed.

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Group Key Figures 2016–2020

DKK million	2020	2019	2018	2017	2016
Income statement					
Revenue	1,852.4	662.5	500.6	1,370.2	1,006.7
Production costs	1,195.1	354.8	255.1	290.6	297.8
Sales and distribution costs	285.8	53.5	33.7	39.9	38.6
Research and development costs	341.4	409.3	386.3	518.4	463.2
Administrative costs	278.1	173.4	180.0	168.0	174.2
Income before interest and tax (EBIT)	379.6	(328.4)	(354.5)	353.2	33.0
Financial items, net	(97.6)	(16.3)	(2.2)	(50.9)	6.5
Income before company tax	282.0	(344.7)	(356.6)	302.3	39.5
Net profit for the year	277.5	(346.8)	(361.9)	181.3	30.6
Balance sheet					
Total non-current assets	6,378.0	6,392.2	552.7	382.2	541.1
Total current assets	2,381.0	654.9	2,508.3	2,770.5	2,282.6
Total assets	8,759.1	7,047.1	3,060.9	3,152.7	2,823.7
Equity	4,894.4	1,865.5	2,180.6	2,506.3	2,017.2
Non-current liabilities	2,912.4	3,134.4	397.6	399.8	54.7
Current liabilities	952.3	2,047.2	482.7	246.6	751.8
Cash Flow Statement					
Securities, cash and cash equivalents	1,669.6	472.4	2,317.2	2,583.7	1,899.9
Cash flow from operating activities	571.9	(275.9)	(288.5)	216.1	267.6
Cash flow from investment activities	(1,911.5)	(809.9)	17.1	(1,345.2)	(448.2)
– Investment in intangible assets	(501.9)	(2,310.9)	(10.2)	(22.3)	(43.7)
– Investment in property, plant and equipment	(204.8)	(360.1)	(201.8)	(56.4)	(47.8)
– Net investment in securities	(1,202.1)	1,861.1	229.2	(1,266.6)	(358.3)
Cash flow from financing activities	1,334.9	1,114.7	245.8	613.4	657.2

DKK million	2020	2019	2018	2017	2016
Financial Ratios[1)]					
EBITDA	739.8	(271.4)	(312.9)	390.7	78.4
Earnings (basic) per share of DKK 10	5.1	(10.7)	(11.2)	5.7	1.0
Net asset value per share	83.7	57.6	67.5	77.7	64.3
Share price at year-end	187	171	127	224	249
Share price/Net asset value per share	2.2	3.0	1.9	2.9	3.9
Number of outstanding shares at year-end (thousand units)	58,450	32,389	32,311	32,245	31,354
Equity share	56%	26%	71%	79%	71%
Number of employees, converted to full-time, at year-end	690	491	419	420	437

[1)] Earnings per share (EPS) is calculated in accordance with IAS 33 "Earning per share". Other financial ratios have been calculated in accordance with the guidelines from the Danish Society of Financial Analysts.

Reconciliation of EBITDA					
Income before interest and tax (EBIT)	379.6	(328.4)	(354.5)	353.2	33.0
Depreciation and amortization (note 9)	344.1	57.0	41.6	37.5	45.4
Impairment losses (note 9)	16.1	-	-	-	-
EBITDA	**739.8**	**(271.4)**	**(312.9)**	**390.7**	**78.4**

Consolidated Income Statements

For the years ended December 31, 2020 and 2019

DKK thousand	Note	2020	2019
Revenue	3	1,852,383	662,488
Production costs	4,8,9	1,195,094	354,757
Gross profit		**657,289**	**307,731**
Sales and distribution costs	5,8	285,783	53,476
Research and development costs	6,8,9	341,420	409,284
Administrative costs	7,8,9,10	278,145	173,417
Total operating costs		**905,348**	**636,177**
Other operating income	11	**627,647**	**–**
Income before interest and tax (EBIT)		**379,588**	**(328,446)**
Financial income	12	97,922	22,540
Financial expenses	13	195,534	38,843
Income before company tax		**281,976**	**(344,749)**
Tax on income for the year	14	4,455	2,028
Net profit for the year		**277,521**	**(346,777)**
Earnings per share (EPS) – DKK			
Basic earnings per share of DKK 10	15	5.1	(10.7)
Diluted earnings per share of DKK 10	15	5.1	(10.7)

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

DKK thousand	Note	2020	2019
Net profit for the year		**277,521**	**(346,777)**
Items that may subsequently be reclassified to the income statement:			
Exchange rate adjustments on translating foreign operations		(3,082)	(149)
Change in fair value of financial instruments entered into to hedge future cash flows		(3,096)	2,644
Other comprehensive income after tax		**(6,178)**	**2,495**
Total comprehensive income		**271,343**	**(344,282)**

Consolidated Statements of Cash Flow

For the years ended December 31, 2020 and 2019

DKK thousand	Note	2020	2019
Net profit for the year		**277,521**	**(346,777)**
Adjustment for non-cash items:			
Financial income		(97,922)	(22,540)
Financial expenses		195,534	38,843
Tax on income for the year		4,455	2,028
Depreciation, amortization and impairment losses	9	360,147	57,045
Share-based payment	30	32,998	26,449
Adjustment for other non-cash items		-	22,200
Changes in inventories		(420,320)	(22,074)
Changes in receivables		(88,094)	15,763
Changes in current liabilities		345,723	(51,229)
Cash flow from operations (operating activities)		**610,042**	**(280,292)**
Received financial income		5,847	27,052
Paid financial expenses		(40,034)	(19,457)
Paid company taxes		(3,944)	(3,213)
Cash flow from operating activities		**571,911**	**(275,910)**

DKK thousand	Note	2020	2019
Investments in product rights	16,25	(393,992)	(2,307,570)
Investments in other intangible assets	16	(107,885)	(3,338)
Investments in property, plant and equipment	17	(204,833)	(360,102)
Investments in financial assets		(2,677)	(73)
Investments in securities		(2,343,828)	(1,239,097)
Disposal of securities		1,141,683	3,100,240
Cash flow from investment activities		**(1,911,532)**	**(809,940)**
Payment on loans	26	(1,375,598)	(248,884)
Proceeds from loans	26	-	1,372,953
Repayment of lease liabilities	27	(17,799)	(12,923)
Proceeds from warrant programs exercised		15,564	10,315
Proceeds from rights issue		2,824,326	-
Costs related to issue of new shares		(103,184)	(2,219)
Sale of preemptive rights - treasury shares		2,664	-
Purchase of treasury shares		(11,099)	(4,576)
Cash flow from financing activities		**1,334,874**	**1,114,666**
Cash flow of the year		**(4,747)**	**28,816**
Cash and cash equivalents as of January 1		297,545	266,658
Currency adjustments		(7,311)	2,071
Cash and cash equivalents as of December 31		**285,487**	**297,545**

Consolidated Statements of Financial Position – Assets

December 31, 2020 and 2019

DKK thousand	Note	2020	2019
Non-current assets			
Product rights		5,185,765	5,458,700
Acquired patents and licenses		29,813	-
Software		17,631	22,512
Intangible assets in progress		57,543	3,043
Intangible assets	16	**5,290,752**	**5,484,255**
Land and buildings		366,232	162,327
Leasehold improvements		3,713	843
Plant and machinery		204,664	44,265
Fixtures and fittings, other plant and equipment		223,238	20,368
Assets under construction		213,309	618,101
Property, plant and equipment	17	**1,011,156**	**845,904**
Right-of-use assets	18	**71,987**	**60,590**
Other receivables	21	4,122	1,445
Financial assets		**4,122**	**1,445**
Total non-current assets		**6,378,017**	**6,392,194**

DKK thousand	Note	2020	2019
Current assets			
Inventories	19	521,082	100,762
Trade receivables	20	139,292	43,405
Tax receivables		-	767
Other receivables	21	37,334	28,387
Prepayments	22	13,732	9,189
Receivables		**190,358**	**81,748**
Securities	24	1,384,120	174,819
Cash and cash equivalents		285,487	297,545
Securities, cash and cash equivalents		**1,669,607**	**472,364**
Total current assets		**2,381,047**	**654,874**
Total assets		**8,759,064**	**7,047,068**

Consolidated Statements of Financial Position – Equity and Liabilities

December 31, 2020 and 2019

DKK thousand	Note	2020	2019
Equity			
Share capital		584,501	323,891
Treasury shares		(1,077)	(684)
Retained earnings		4,246,359	1,460,007
Other reserves		64,570	82,241
Equity		**4,894,353**	**1,865,455**
Liabilities			
Deferred consideration for product rights	25	2,464,932	2,691,400
Debt to credit institutions	26	393,268	395,443
Lease liabilities	27	54,201	47,549
Non-current liabilities		**2,912,401**	**3,134,392**
Deferred consideration for product rights	25	357,736	459,730
Debt to credit institutions	26	2,174	1,375,116
Lease liabilities	27	20,422	13,851
Prepayment from customers	28	74,347	6,631
Trade payables		345,320	112,088
Company tax		497	-
Other liabilities	23	151,814	79,805
Current liabilities		**952,310**	**2,047,221**
Total liabilities		**3,864,711**	**5,181,613**
Total equity and liabilities		**8,759,064**	**7,047,068**

Consolidated Statements of Changes in Equity

December 31, 2020

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity
Equity as of January 1, 2020	**323,891**	**(684)**	**1,460,007**	**(37,558)**	**2,287**	**117,512**	**1,865,455**
Comprehensive income for the year							
Net profit for the year	-	-	277,521	-	-	-	277,521
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	(3,082)	-	-	(3,082)
Change in fair value of financial instruments entered into to hedge future cash flows	-	-	-	-	(3,096)	-	(3,096)
Total comprehensive income for the year	**-**	**-**	**277,521**	**(3,082)**	**(3,096)**	**-**	**271,343**
Transactions with owners							
Share-based payment	-	-	-	-	-	29,284	29,284
Warrant programs exercised	1,498	-	17,514	-	-	(3,448)	15,564
Warrant programs expired	-	-	33,563	-	-	(33,563)	-
Capital increase through rights issue	259,112	-	2,565,214	-	-	-	2,824,326
Costs related to issue of new shares	-	-	(103,184)	-	-	-	(103,184)
Purchase of treasury shares	-	(524)	(10,575)	-	-	-	(11,099)
Transfer regarding restricted stock units	-	131	3,635	-	-	(3,766)	-
Sale of preemptive rights - treasury shares	-	-	2,664	-	-	-	2,664
Total transactions with owners	**260,610**	**(393)**	**2,508,831**	**-**	**-**	**(11,493)**	**2,757,555**
Equity as of December 31, 2020	**584,501**	**(1,077)**	**4,246,359**	**(40,640)**	**(809)**	**106,019**	**4,894,353**

The share capital comprises a total of 58,450,112 shares of DKK 10 as of December 31, 2020 (32,389,065 shares). The shares are not divided into share classes, and each share carries one vote.

Treasury shares

In August 2020, the Board of Directors decided to launch a share buy-back program, under which the Company bought back 52,397 of its own shares (28,849 shares in 2019). The purpose of the share buy-back program was to meet the Company's obligations arising from the share-based incentive program for the Executive Management and the Board of Directors. Under the share-based incentive program, payment of half of the achieved bonus for 2019 for members of the Executive Management are converted to restricted stock units for a value corresponding to half of the achieved bonus. The restricted stock units will be released to the Executive Management 3 years after grant. This to further increase the long-term shared interests between the Executive Management and the Company's shareholders. The Board of Directors is granted restricted stock units corresponding to 50% of the annual fee (excl. committee fee). The vesting period for those restricted stock units is also 3 years.

Treasury shares represent 0.18% (0.21%) of the total share capital.

For further information about share based payment see note 30.

Consolidated Statements of Changes in Equity

December 31, 2019

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity
Equity as of January 1, 2019	**323,106**	**(507)**	**1,797,122**	**(37,409)**	**(357)**	**98,673**	**2,180,628**
Comprehensive income for the year							
Net profit for the year	-	-	(346,777)	-	-	-	(346,777)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	(149)	-	-	(149)
Change in fair value of financial instruments entered into to hedge future cash flows	-	-	-	-	2,644	-	2,644
Total comprehensive income for the year	**-**	**-**	**(346,777)**	**(149)**	**2,644**	**-**	**(344,282)**
Transactions with owners							
Share-based payment	-	-	-	-	-	25,589	25,589
Warrant programs exercised	785	-	11,814	-	-	(2,284)	10,315
Warrant programs expired	-	-	1,455	-	-	(1,455)	-
Costs related to issue of new shares	-	-	(2,219)	-	-	-	(2,219)
Purchase of treasury shares	-	(288)	(4,288)	-	-	-	(4,576)
Transfer regarding restricted stock units	-	111	2,900	-	-	(3,011)	-
Total transactions with owners	**785**	**(177)**	**9,662**	**-**	**-**	**18,839**	**29,109**
Equity as of December 31, 2019	**323,891**	**(684)**	**1,460,007**	**(37,558)**	**2,287**	**117,512**	**1,865,455**

The share capital comprises a total of 32,389,065 shares of DKK 10 as of December 31, 2019 (32,310,565 shares). The shares are not divided into share classes, and each share carries one vote.

Transactions on the share capital

DKK thousand	2020	2019	2018	2017	2016
Share capital as of January 1	323,891	323,106	322,451	313,539	280,197
Issue of new shares	260,610	785	655	8,912	33,342
Share capital as of December 31	**584,501**	**323,891**	**323,106**	**322,451**	**313,539**

Rules on changing Articles of Association
Changing the Articles of Association requires that the resolution passes by at least 2/3 of the votes as well as 2/3 of the voting capital represented.

Note 1

Significant accounting policies

Basis of preparation
The consolidated financial statements for Bavarian Nordic have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for the consolidated financial statements of listed companies. Danish disclosure requirements for the presentation of consolidated financial statements are imposed by the Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act.

The accounting policies are unchanged from last year except for changes due to implementation of new and revised standards that were effective January 1, 2020.

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency of the parent company.

The consolidated financial statements are presented on a historical cost basis, apart from derivative financial instruments, securities and liability relating to phantom shares, which are measured at fair value.

The accounting policies have been consistently applied for the financial year and for the comparative figures except for implementation of new standards and amendments, see further below.

In the narrative sections of the consolidated financial statements comparative figures for 2019 are shown in brackets.

Implementation of new and revised standards and interpretations
The International Accounting Standards Board (IASB) has issued new standards and revisions to existing standards (IFRS) and new interpretations (IFRIC) which are mandatory for accounting periods commencing on or after January 1, 2020.

The Group has adopted the following revised standards and interpretations:

- Amendments to IFRS 3, definition of a business
- Amendments to IAS 1 and IAS 8, definition of materiality
- Amendments to IFRS 9, IAS 39 and IFRS 7, IBOR reform
- Amendments to IFRS 16, covid-19-related rent concessions

The implementation of new or revised standards and interpretations that are effective from January 1, 2020 has not had a material impact on the consolidated financial statements in 2020. Furthermore, Management does not anticipate any significant impact on future periods from the adoption of these new amendments.

Standards and interpretations not yet in force
At the date of publication of the consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been adopted by the EU. Therefore, they are not incorporated in the consolidated financial statements.

None of the new or amended standards and interpretations are expected to have a material impact on the consolidated financial statements.

Applying materiality
The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

The specific disclosures required by IFRS are provided in the consolidated financial statements unless the information is considered immaterial to the users of the financial statements.

Accounting policies
The accounting policies for specific line items are described in the notes to the financial statements. Set out below is a description of the accounting policies for the basis of consolidation, foreign currency translation and the cash flow statement.

Recognition and measurement
Income is recognized in the income statement when generated. Assets and liabilities are recognized in the balance sheet when it is probable that any future economic benefit will flow to or from the Group and the value can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described in the description of the accounting policies in the respective notes to the financial statements.

Basis of consolidation
The consolidated financial statements include Bavarian Nordic A/S and the subsidiaries in which the Group holds more than 50% of the voting rights or otherwise has control.

Principles of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the individual subsidiaries, and these are prepared in accordance with the Group's accounting policies and for the same accounting period.

Intra-group income and expenses together with all intra-group profits, receivables and payables are eliminated on consolidation. In the preparation of the consolidated financial statements, the book value of shares in subsidiaries held by the parent company is set off against the equity of the subsidiaries.

Foreign currency translation
On initial recognition, transactions denominated in currencies other than the Group's functional currency are translated at the exchange rate ruling at the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognized in the income statement under financials. Property, plant and equipment and intangible assets, inventories and other nonmonetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date.

On recognition in the consolidated financial statements of subsidiaries whose financial statements are presented in a functional currency other than Danish kroner (DKK), the income statements are translated at the average exchange rates of the respective months.

Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates of the respective months to exchange rates at the balance sheet date are recognized as other comprehensive income.

Note 1

Significant accounting policies – continued

Segment reporting
The Group does not prepare segment reporting internally and therefore only reports one operating segment externally.

Geographic spilt of revenue and revenue from major customers is disclosed in note 3 to the consolidated financial statements. Geographic location of noncurrent assets is disclosed in note 16 and 17 to the consolidated financial statements.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method on the basis of the Group's net profit for the year. The statement shows the Group's cash flows broken down into operating, investing and financing activities, cash and cash equivalents at year end and the impact of the calculated cash flows on the Group's cash and cash equivalents.

Cash flows in foreign currencies are translated into Danish kroner (DKK) at the exchange rate on the transaction date.

In the cash flows from operating activities, net profit for the year is adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities include cash flows from the purchase and sale of intangible assets, property, plant and equipment, investments and securities.

Cash flows from financing activities include cash flows from the raising and payment of loans and capital increases.

Additionally, cash flows from assets held under finance leases are recognized by way of lease payments made.

Net asset value per share:

$$\frac{\text{Equity}}{\text{Number of shares at year-end}}$$

Share price/Net asset value per share:

$$\frac{\text{Market price per share}}{\text{Net asset value per share}}$$

Equity share, %:

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

Earnings per share and diluted earnings per share are calculated in accordance with IAS 33 "Earnings per share" and specified in note 15.

Note 2

Significant accounting estimates and judgments

Significant accounting estimates

In the preparation of the consolidated financial statements, Management makes a number of accounting estimates, which form the basis for the presentation, recognition and measurement of the Group's assets and liabilities.

The recognition and measurement of assets and liabilities often depend on future events that are somewhat uncertain. In that connection, it is necessary to assume a course of events that reflects Management's assessment of the most probable course of events.

The significant accounting estimates identified are those that have a significant risk of resulting in a material adjustment to the measurement of assets and liabilities in the following reporting period. Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. If necessary, changes are recognised in the period in which the estimate is revised. Management considers the key accounting estimates to be reasonable and appropriate based on currently available information. The actual amounts may differ from the amounts estimated as more detailed information becomes available.

Management has made the following accounting estimates which significantly affect the amounts recognized in the consolidated financial statements:

Accounting policy	Significant accounting estimates and judgements	Note
Revenue	Estimate of US sales deductions and provisions for sales rebates	3
Intangible assets	Estimate regarding impairment of assets; assessment whether future sales milestone have become probably; and judgement of whether a transaction is an asset acquisition or a business combination	16
Inventories	Estimate of indirect production costs capitalized and inventory write-down	19

Note 3

Revenue

§ Accounting policies

Sale of goods
Revenue from sale of goods is recognized when the Company has transferred control of products sold to the buyer and it is probable that the Company will collect the consideration to which it is entitled for transferring the products. Control of the products is transferred at a point in time, typically on delivery. The amount of sales to be recognized is based on the consideration the Company expects to receive in exchange for its goods. When sales are recognized, the Company also records estimates for a variety of sales deductions, including product returns as well as rebates and discounts to government agencies, wholesalers, health insurance companies, managed healthcare organisations and retail customers. Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party.

Where contracts contain customer acceptance criteria, the Company recognizes sales when the acceptance criteria are satisfied.

Where absolute amounts are known, the rebates are recognized as other liabilities. Wholesaler charge-backs are netted against trade receivable balances.

The pricing mechanisms in the US market and the different kind of rebates are described below.

Pricing mechanisms in the US market
In the US, sales rebates are paid in connection with government and commercial programmes. Key customers in the US include private payers, Group Purchasing Organizations (GPOs) and government payers. GPOs play a role in negotiating price concessions with drug manufacturers for the commercial channels, and determine which drugs are offered as preferred options on their drug lists.

US wholesaler charge-backs
Wholesaler charge-backs relate to contractual arrangements between the Company and indirect customers in the US whereby products are sold at contract prices lower than the list price originally charged to wholesalers. A wholesaler charge-back represents the difference between the invoice price to the wholesaler and the indirect customer's contract price. Accruals are calculated for estimated charge-backs using a combination of factors such as historical experience, current wholesaler inventory levels, contract terms and the value of claims received but not yet processed.

US Medicaid & Medicare rebates
Medicaid & Medicare are government insurance programmes. Medicaid and Medicare rebates have been estimated using a combination of historical experience, product and population growth, price increases, and the impact of contracting strategies. The calculation also involves interpretation of relevant regulations that are subject to changes in interpretative guidance from government authorities. The Company adjusts the provision periodically to reflect actual sales performance.

Other US discounts and sales returns
Other discounts are provided to wholesalers, hospitals, pharmacies, etc. They are usually linked to sales volume or provided as cash discounts. Accruals are calculated based on historical data and recorded as a reduction in gross sales at the time the related sales are recorded. Estimated sales returns are related to damaged or expired products.

Sale of services and licenses
Furthermore, revenue comprises the fair value of the consideration received or receivable for income derived from development services where revenue is measured at the expected net sales price.

Sales of licenses that transfer the rights associated with ownership of an intangible asset are recognized at a point in time when control is transferred. Revenue from development services and licenses that do not transfer the right of ownership to an intangible asset are recognized over time in line with the execution and delivery of the work.

Agreements with commercial partners generally include non-refundable upfront license and collaboration fees, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur, and revenue from the supply of products. For these agreements that include multiple elements, total contract consideration is attributed to separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in stand-alone transactions provided that each component has value to the partner on a stand-alone basis. The allocated consideration is recognized as revenue in accordance with the principles described above. Further details regarding recognition of revenue on the main contracts with Biomedical Advanced Research and Development Authority (BARDA) and Janssen Vaccines & Prevention B.V. are described below.

! Significant accounting estimates

Provisions for sales deductions
Sales discounts and rebates are predominantly issued in the US in connection with the US Federal and State Government Healthcare programs, namely Medicare and Medicaid, and commercial rebates.

The estimate of sales discounts and rebates is based on a calculation which includes a combination of historical utilization data, combined with expectations in relation to the development in sales and utilization. Furthermore, specific circumstances regarding the different programs are considered. The obligations concerning sales discounts and rebates are incurred at the time the sale is recorded. However, the actual discount or rebate related to a specific sale may be invoiced later.

The Company considers the provisions established for sales discounts and rebates to be reasonable and appropriate based on currently available information. However, the actual amount of discounts and rebates may differ from the amounts estimated as more detailed information becomes available.

Partner contracts
Whether a component of a multiple element contract has value to the partner on a stand-alone basis is based on an assessment of specific facts and circumstances and is associated with judgement. This applies also to the assessment of whether a license transfers rights associated with ownership of an intangible asset. Furthermore, allocation of the total consideration of a contract to separately identifiable components requires considerable estimates and judgement to be made by Management.

Note 3

Revenue – continued

Significant accounting estimates, continued

At inception and throughout the life of a contract Management is performing an analysis of the agreement with its partners based on available facts and circumstances at each assessment date such as historical experience and knowledge from the market to the extent obtainable. This includes also an understanding of the purpose of the deliverables under the contract and the negotiation taken place prior to concluding the contract.

DKK thousand	2020	2019
MVA-BN smallpox vaccine sale	540,769	324,258
Rabipur/RabAvert	627,699	-
Encepur	455,012	-
Sale of goods	1,623,480	324,258
Milestone payments	66,553	-
Contract work	162,350	338,230
Sale of services	228,903	338,230
Revenue	**1,852,383**	**662,488**
Total revenue includes:		
Fair value adjustment concerning financial instruments entered into to hedge revenue	13,146	(13,006)
Geographic split of revenue:		
USA	1,139,080	611,876
Germany	356,826	272
The Netherlands	96,029	49,768
Sweden	47,240	235
Switzerland	36,138	-
Austria	31,235	-
United Kingdom	23,069	-
Japan	21,060	-
Other geographic markets	101,706	337
Revenue	**1,852,383**	**662,488**

In 2020 revenue achieved on the Danish market amounted to DKK 4.4 million (DKK 0 million).

Revenue for the following customer represent more than 10% of total revenue:

- Biomedical Advanced Research and Development Authority (BARDA), USA, DKK 666.8 million (DKK 539.4 million).

Note 3

Revenue – continued

Accounting for contract with Biomedical Advanced Research and Development Authority (BARDA)
In September 2017 the Company secured a contract award from Biomedical Advanced Research and Development Authority (BARDA) for supply of freeze-dried smallpox vaccine. The potential value of the initial base and optional awards is in excess of USD 539 million. Initial base award secures additional smallpox bulk contract of USD 100 million and initial options valued at USD 439 million. The initial options are divided between two distinct areas, the first of which is the filling and freeze-drying of smallpox bulk products, with total potential value of USD 299 million. The second part of the contract contains provisions for clinical development, regulatory commitments, and parts of the establishment and validation of fill and finish activities, with potential value of up to USD 140 million. The award also contains options to acquire additional vaccine bulk and/or doses of smallpox vaccine in the future.

The initial bulk procurement contract of USD 100 million for delivery of 40 bulk drug substance (BDS) batches of smallpox vaccine was revenue recognized during 2018 and 2019. Recognition of revenue occured in concurrence with release of the BDS batches.

In April 2020 BARDA placed a new order under the contract, awarded in 2017, for the manufacturing and supply of JYNNEOS (Smallpox and Monkeypox Vaccine), at a total value of USD 202 million. The contract expansion covers two years of performance and includes the manufacturing of additional bulk vaccine (30 bulk drug substance (BDS) batches in 2020 and 35 batches in 2021) and the supply of up to 1.4 million doses of liquid frozen JYNNEOS. The first USD 106 million of the award was exercised in April 2020, whereas the second part was exercised in December 2020, where BARDA committed to an additional USD 83 million for the procurement of more bulk smallpox vaccine, which will be manufactured and invoiced in 2021. During 2020, 30 bulk drug substance (BDS) batches have been recognized as revenue in concurrence with release of the BDS batches.

The BDS products remain in the Company's physical possession as the procurement contract includes filling and freeze-drying of the BDS batches (a bill-and-hold arrangement). The Company is paid for the custodial service as part of the contract. The filling activities are going to take place in Kvistgaard in 2021-2023 when the new fill and finish manufacturing facility is operational.

Payment is due within 30 days after invoicing.

The Company has also been awarded funding for development work related to "Clinical activities to support licensure" of the freeze-dried version of smallpox vaccine. The contract is funded based on cost incurred plus a fixed margin. Recognition of revenue follows the timing of cost incurred. Payment is due within 30 days after invoicing.

A new award was obtained in January 2019 to cover qualification of the new fill and finish facility, as well as transfer and validation of the freeze-drying process (contract option valued at USD 33 million). In 2020 DKK 76 million (DKK 128 million) was recognized as revenue. The remaining funds will be recognized as revenue in 2021. The contract is funded based on cost occurred plus a fixed margin. Recognition of revenue follows the timing of cost incurred. Payment is due within 30 days after invoicing. The award also included USD 11 million for storage of bulk drug substance until filling and future shipments of final products (total award of USD 44 million). DKK 9 million has been recognized in revenue for storage during 2020. The remaining revenue will be recognized over the coming years.

Accounting for license and collaboration agreements with Janssen Vaccines & Prevention B.V.
The Company has concluded three license and collaboration agreements with Janssen Vaccines & Prevention B.V. for development of vaccines against cancers induced by human papillomavirus (HPV), hepatitis B virus (HBV) and the human immunodeficiency virus (HIV). All three contracts contains an upfront payment and subsequent milestone payments following the progress in the clinical development program.

Each contract has two performance obligations, both paid for by the upfront and milestone payments in the contracts: 1) Conduct development work according to the development plan and 2) Grant of a license for use of MVA-BN® vector. Revenue for the development work is recognized over time using the "expected cost plus a margin approach", i.e. recognized over time based on cost incurred plus a margin. Allocation of revenue for the license grant is calculated using the "residual approach" by estimating the stand-alone selling price by reference to the total transaction price less the sum of the revenue allocated to the development work. When assessing residual value available for allocation to the license grant, expected costs for future development work are taken into consideration to ensure enough revenue is deferred to ensure an appropriate margin on the development work over the period until the next milestone payment event. The residual value is calculated and recognized as revenue for the license grant when a milestone payment is received. Revenue related to the license grant will increase over time if and when the next clinical milestone is reached, reflecting that the value of the license is expected in concurrence with the progress in the clinical development program.

Janssen Vaccines & Prevention B.V. obtains control of the development work in concurrence with work performed and therefore the recognition of revenue follows the timing of cost incurred.

As of December 31, 2020 all the initial prepayments under the contracts have been recognized as revenue. Under the HPV contract a new prepayment of USD 2.5 million was recevied in February 2020 related to production of a new Master Seed Virus. The full prepayment is recognized in the balance sheet, cf. note 28.

Note 4

Production costs

DKK thousand	2020	2019
Cost of goods sold	584,574	87,272
Contract costs	104,409	219,200
Other production costs	233,176	48,285
Amortization of product rights	272,935	-
Production costs	**1,195,094**	**354,757**

The clinical activities to support licensure of the freeze-dried version of smallpox vaccine and qualification of the new fill and finish facility including transfer and validation of the freeze-drying process was higher during 2019 compared to 2020, therefore the decrease in contract costs.

Other production costs amounted to DKK 233.2 million (DKK 48.3 million), of which net write-downs of inventory totaled DKK 25.2 million (DKK 4.0 million). Development in write-downs is further described in note 19. Other production costs also includes an accrual for write-downs of obsolete products related to the distribution switch of Rabipur/RabAvert and Encepur from GlaxoSmithKline. This was disclosed as a contigent liability in the Q3 2020 Interim Report.

The product rights to Rabipur/RabAvert and Encepur are amortized over 20 years with an annual amortization of DKK 273 million.

Accounting policies

Production costs consist of costs incurred in generating the revenue for the year. Costs for raw materials, consumables, production staff and a proportion of production overheads, including maintenance, amortization, depreciation and impairment of intangible and tangible assets used in production as well as operation, administration and management of the production facility are recognized as production costs. Amortization of acquired product rights are recognized as production costs. In addition, the costs related to excess capacity and write-down to net realisable value of goods on stock are recognized as other production costs.

Note 5

Sales and distribution costs

Accounting policies

Sales and distribution costs comprise costs incurred for the sale and distribution of products sold during the year. This includes costs incurred for sales campaigns, training and administration of the sales force and for direct distribution, marketing and promotion. Also included are salaries and other costs for the sales, distribution and marketing functions, loss allowance for expected credit losses, amortization, depreciation and other indirect costs.

Note 6

Research and development costs

DKK thousand	2020	2019
Research and development costs incurred this year	445,829	628,484
Of which:		
Contract costs recognized as production costs (note 4)	(104,409)	(219,200)
Research and development costs recognized in the income statement	**341,420**	**409,284**

Research and development costs include expenses for external clinical research organizations, or CRO's, of DKK 121.3 million (DKK 140.6 million).

In October 2019, the Company announced that the stage 1 of the Phase 2 study evaluating the combination therapy of CV301 for the treatment of patients with bladder cancer did not meet the efficacy threshold to progress into stage 2 with expanded enrollment. Following this decision the CV301 development project was expensed by DKK 22.2 million.

§ Accounting policies

Research and development costs include salaries and costs directly attributable to the Group's research and development projects, less government grants. Furthermore, salaries and costs supporting direct research and development, including costs of patents, rent, leasing and depreciation attributable to laboratories, and external scientific consultancy services, are recognized under research and development costs. No indirect or general overhead costs that are not directly attributable to research and development activities are included in the disclosure of research and development expenses recognized in the income statement.

Research costs are expensed in the year they occur.

Development costs are generally expensed in the year they occur. In line with industry custom, capitalization of development costs does not begin until it is deemed realistic that the product can be completed and marketed and it is highly likely that a marketing authorization will be received. In addition, there must be sufficient certainty that the future earnings to the Group will cover not only production costs, direct distribution and administrative costs, but also the development costs.

Contract research and development costs incurred to achieve revenue are included in "Research and development costs incurred this year" and then transferred under "Contract costs recognized as production costs" to be recognized as production costs.

Grants that compensate the Group for research and development expenses incurred, which are recognized directly in the income statement, are set off against the costs of research and development at the time when a final and binding right to the grant has been obtained.

Note 7

Adminstrative costs

§ Accounting policies

Administrative costs include costs of Group Management, staff functions, administrative personnel, office costs, rent, short-term lease payments and depreciation not relating specifically to production, research and development or sales and distribution.

Note 8

Staff costs

DKK thousand	2020	2019
Wages and salaries	434,710	312,020
Contribution based pension	34,993	24,927
Social security expenses	17,686	13,760
Other staff expenses	31,645	28,174
Share-based payment, see specification in note 30	32,998	26,449
Staff costs	**552,032**	**405,330**
Staff expenses are distributed as follows:		
Production costs	213,676	162,986
Sales and distribution costs	51,243	20,630
Research and development costs	150,675	130,365
Administrative costs	115,360	91,349
Capitalized salaries, see tech transfer costs in note 16	21,078	-
Staff costs	**552,032**	**405,330**
Average number of employees converted to full-time	607	465
Number of employees as of December 31 converted to full-time	690	491

The Group only has defined contribution plans and pays regular fixed contributions to independent pension funds and insurance companies.

DKK thousand	2020	2019
Staff costs include the following costs:		
Board of Directors:		
Remuneration	3,825	3,883
Share-based payment	1,350	1,350
Remuneration to Board of Directors	**5,175**	**5,233**
Executive Management:		
Salary	5,186	5,061
Paid bonus	2,540	869
Other employee benefits	576	649
Share-based payment	4,011	5,483
Corporate Management	**12,313**	**12,062**
Salary	13,996	8,126
Paid bonus	3,359	960
Other employee benefits	1,523	484
Contribution based pension	1,674	827
Share-based payment	10,591	6,316
Other Executive Management	**31,143**	**16,713**
Remuneration to Executive Management	**43,456**	**28,775**
Total management remuneration	**48,631**	**34,008**

Note 8

Staff costs – continued

CEO and President of the Company Paul Chaplin constituted the Corporate Management in the Parent Company in 2020. As from February 2021, CFO Henrik Juuel also constitutes part of the Corporate Management.

For 2020 CFO Henrik Juuel, COO Henrik Birk, CPO Anu Kerns, CCO JC May, CMO Laurence De Moerlooze and CBO Tommi Kainu constituted the Other Executive Management.

The Executive Management was expanded during 2020 with JC May joining January 1, 2020, Laurence De Moerlooze joining May 1, 2020 and Anu Kerns joining November 1, 2020.

Restricted stock units

In March 2020 Corporate Management was granted 0 restricted stock units (excl. matching shares) (6,043 restricted stock units at a value of DKK 0.9 million) as it was agreed with the Board of Directors that the full bonus amount could be paid out in cash. Other Executive Management was granted 8,705 restricted stock units (excl. matching shares) (6,679 restricted stock units) corresponding to a value of DKK 2.1 million (DKK 1.0 million at grant). In May 2020 the new CMO was granted a sign-on bonus of 8,651 restricted stock units (excl. matching shares) corresponding to a value of DKK 1.3 million at grant.

In June 2020, the members of the Board of Directors were granted in total 7,111 restricted stock units (9,765 restricted stock units) corresponding to 50% of their fixed fee amounting to DKK 1.4 million (DKK 1.4 million).

For further description of restricted stock units see note 30.

Warrants

In November 2020 Corporate Management was granted 123,645 warrants (78.201 warrants) with a fair value of DKK 5.1 million (DKK 3.6 million). Other Executive Management was granted 294,675 warrants (105,161 warrants) with a fair value of DKK 12.1 million (DKK 4.8 million).

In January 2020 the new CCO was granted a sign-on bonus of 23,763 warrants with a fair value of DKK 1.2 million.

Fair value calculated based on Black-Scholes, cf. note 30.

Incentive programs for the Executive Management and other employees are disclosed in note 30.

Members of the Executive Management have contracts of employment containing standard terms for members of the Executive Management of Danish listed companies, including the periods of notice that both parties are required to give and competition clauses. If a contract of employment of a member of the Executive Management is terminated by the Company without misconduct on the part of such member, the member of the Executive Management is entitled to compensation, which, depending on the circumstances, may amount to a maximum of 8-18 months' remuneration. In the event of a change of control the compensation can amount to 24 months' remuneration.

Note 9

Depreciation, amortization and impairment losses

DKK thousand	2020	2019
Depreciation and amortization included in:		
Production costs	311,456	31,411
Research and development costs	2,965	2,529
Administrative costs	29,660	23,105
Depreciation and amortization	**344,081**	**57,045**
Hereof loss from disposed fixed assets	3,149	-
Impairment losses included in:		
Production costs	16,066	-
Impairment losses	**16,066**	**-**

The product rights to Rabipur/RabAvert and Encepur are amortized over 20 years with an annual amortization of DKK 273 million. The amortization is recognized as part of cost of goods sold under production costs.

The product rights was acquired from GlaxoSmithKline as per December 31, 2019. See further description in note 16.

Following the current rebuild of the production facility in Kvistgaard to accommodate a new production line for Rabipur/RabAvert and Encepur products, part of the existing building components and equipment has been written-down in 2020, amounting to DKK 16.1 million.

Note 10

Fees to auditor appointed at the annual general meeting

DKK thousand	2020	2019
Audit of financials statements	1,500	1,300
Other assurance services	1,144	421
Tax advisory	411	877
Other services	182	231
Fees	**3,237**	**2,829**

The fee for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 1.4 million (DKK 0.9 million) and consisted of assurance work related to the rights issue, assistance with compliance reviews, and other accounting and tax advisory services.

Assurance fees related to the rights issue process amount to DKK 1.1 million (DKK 0.3 million). In 2019 the tax advisory included assistance related to the transfer pricing audit regarding PROSTVAC development cost.

Note 11

Other operating income

Sale of the Priority Review Voucher, granted to the Company by the FDA in connection with the approval of JYNNEOS, was announced in December 2019 and final closing of the transaction occurred in January 2020 when the antitrust clearance was received. Upon completion, the Company received a cash consideration of USD 95 million.

Note 12

Financial income

DKK thousand	2020	2019
Financial income from bank and deposit contracts	193	602
Interest income from financial assets measured at amortized cost	193	602
Financial income from securities	8,756	16,435
Fair value adjustments on securities	6,783	-
Adjustment of deferred consideration due to change in estimated timing of payments	67,719	-
Currency adjustment deferred consideration	11,900	-
Net gains on derivative financial instruments at fair value through the income statement	2,571	5,503
Financial income	**97,922**	**22,540**

Accounting policies

Interest income is recognized in the income statement at the amounts relating to the financial year. Financial income also includes adjustment of deferred consideration due to change in estimated timing of payments, net positive value adjustments of financial instruments and securities and net currency gains.

Note 13

Financial expenses

DKK thousand	2020	2019
Interest expenses on debt	31,853	18,490
Interest expenses on financial liabilities measured at amortized cost	31,853	18,490
Fair value adjustments on securities	-	15,330
Unwinding of the discount related to deferred consideration	145,149	-
Net foreign exchange losses	18,532	5,023
Financial expenses	**195,534**	**38,843**

Accounting policies

Interest expenses are recognized in the income statement at the amounts relating to the financial year. Financial expenses also include unwinding of the discount related to the deferred consideration, cf. note 25, negative value adjustments of financial instruments and securities and net currency losses.

The deferred consideration for product rights is measured at net present value and the difference between the net present value and the amounts due is recognized in the income statement as a financial expense over the period until expected payment date using the effective interest method.

Note 14

Tax for the year

DKK thousand	2020	2019
Tax recognized in the income statement		
Current tax on profit for the year	5,217	3,121
Adjustments to current tax for previous years	(762)	(1,093)
Current tax	**4,455**	**2,028**
Deferred tax	-	-
Tax for the year recognized in the income statement	**4,455**	**2,028**
Tax on income for the year is explained as follows:		
Income before company tax	281,976	(344,749)
Calculated tax (22.0%) on income before company tax	62,035	(75,845)
Tax effect on:		
Different tax percentage in foreign subsidiaries	(349)	(1,321)
Non-recognized deferred tax asset on current year losses in foreign subsidiaries	18,421	5,458
Income ()/expenses that are not taxable/deductible for tax purposes	(20,412)	1,755
Non-recognized deferred tax asset on write-down of development project for sale	-	(10,139)
Change in non-recognized deferred tax asset	(54,478)	83,213
Adjustments to current tax for previous years	(762)	(1,093)
Tax on income for the year	**4,455**	**2,028**
Tax recognized in other comprehensive income	**-**	**-**
Tax recognized in equity	**-**	**-**

Tax on income is an expense of DKK 4.5 million recognized in Bavarian Nordic GmbH (DKK 2.0 million), corresponding to an effective tax rate of 1.6% for the Group (negative 0.6%). The effective tax rate for 2020 is positively impacted by the new Danish tax scheme allowing 30% 'step-up' deduction for costs related to research and development activities paid by Danish entities (reduces tax for the year by DKK 13 million). The reduction in not recognized deferred tax asset (DKK 54 million) also reduces the effective tax rate. The effective tax rate for 2019 was impacted by write-down of the tax asset and the change in non-recognized tax asset related to write-down of CV301.

Accounting policies

Income tax for the year comprises current tax and deferred tax for the year. The part relating to the profit for the year is recognized in the income statement, and the part attributable to items in the comprehensive income is recognized in the comprehensive income statement.

The tax effect of costs that have been recognized directly in equity is recognized in equity under the relevant items.

Current tax receivable is recognized in the balance sheet under current asset.

Current tax payable is recognized in the balance sheet under current liabilities.

Deferred tax is measured using the balance sheet liability method on all temporary differences between accounting values and tax values. Deferred tax liabilities arising from temporary tax differences are recognized in the balance sheet as a liability.

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized when it is probable that they can be realized by offsetting them against taxable temporary differences or future taxable profits. At each balance sheet date, it is assessed whether it is probable that there will be sufficient future taxable income for the deferred tax asset to be utilized.

Deferred income tax is provided on temporary taxable differences arising on investments in subsidiaries, unless the parent company is able to control the timing when the deferred tax is to be realized and it is likely that the deferred tax will not be realized within the foreseeable future.

Deferred tax is calculated at the tax rates applicable on the balance sheet date for the income years in which the tax asset is expected to be utilized.

Note 14

Tax for the year – continued

DKK thousand	January 1, 2020	Recognized in the income statement	Recognized in equity	December 31, 2020
		2020		
Product rights	-	(94,360)	-	(94,360)
Other intangible assets	2,040	(1,663)	-	377
Property, plant and equipment	22,593	15,749	-	38,342
Right-of-use assets	55	318	-	373
Development projects for sale	32,446	-	-	32,446
Accrued project costs	(790)	609	-	(181)
Receivables	-	18	-	18
Provisions	-	17,930	-	17,930
Financial instruments	(503)	-	681	178
Share-based payment	8,573	6,824	-	15,397
Tax losses carried forward	362,112	97	-	362,209
Not recognized tax asset	(426,526)	54,478	(681)	(372,729)
Recognized deferred tax assets	**-**	**-**	**-**	**-**

DKK thousand	January 1, 2019	Recognized in the income statement	Recognized in equity	December 31, 2019
		2019		
Intangible assets	3,703	(1,663)	-	2,040
Property, plant and equipment	15,515	7,078	-	22,593
Right-of-use assets	-	55	-	55
Development projects for sale	17,420	15,026	-	32,446
Accrued project costs	(7,335)	6,545	-	(790)
Financial instruments	78	-	(581)	(503)
Share-based payment	4,154	4,419	-	8,573
Tax losses carried forward	310,359	51,753	-	362,112
Not recognized tax asset	(343,894)	(83,213)	581	(426,526)
Recognized deferred tax assets	**-**	**-**	**-**	**-**

Deferred tax
Recognized deferred tax assets relate to temporary differences between the tax base and accounting carrying amount and tax losses carried forward.

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized to the extent they are expected to be offset against future taxable income.

Recognized tax losses carried forward relate to Bavarian Nordic A/S and the two Danish subsidiaries Aktieselskabet af 1. juni 2011 I and Aktieselskabet af 1. juni 2011 II.

The tax value of non-recognized tax losses carried forward in Bavarian Nordic A/S and the two Danish subsidiaries amounts to DKK 362.2 million (DKK 362.1 million), whereas the tax value of non-recognized temporary deductible differences amounts to DKK 10.5 million (DKK 64.4 million). Tax rate used for Danish entities is 22%.

As Bavarian Nordic, Inc. has moved from California to North Carolina in January 2017, the state tax losses and state tax credit carried forward will most likely never be utilized, hence no tax asset has been recognized.

Bavarian Nordic GmbH and Bavarian Nordic Switzerland AG have no tax losses carried forward.

The Company's right to use the tax losses carried forward is not time-limited.

Non-recognized deferred tax asset on current year losses in foreign subsidiaries also includes deferred tax on inter-company transactions between Bavarian Nordic A/S and Bavarian Nordic, Inc. under the Distribution Agreement for sale of RabAvert in US, DKK 14.6 million (DKK 0 million).

Note 15

Earnings per share (EPS)

DKK thousand	2020	2019
Net profit for the year	277,521	(346,777)
Earnings per share of DKK 10	5.1	(10.7)
Diluted earnings per share of DKK 10	5.1	(10.7)
The weighted average number of ordinary shares for the purpose of diluted earning per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares (thousand units)	54,122	32,340
Weighted average number of treasury shares (thousand units)	(76)	(59)
Weighted average number of outstanding ordinary shares used in the calculation of basic earnings per share (thousand units)	54,046	32,281
Average dilutive effect of outstanding warrants under incentive schemes	-	-
Weighted average number of outstanding ordinary shares used in the calculation of diluted earnings per share (thousand units)	54,046	32,281
Outstanding warrants that may have an effect on the calculation of diluted earnings per share in the future.		
2020-programs	1,310,297	-
2019-program	687,467	564,585
2018-program	554,066	462,835
2017-programs	396,601	323,763
2016-program	444,558	366,690
2015-program	-	293,630
2014-program	-	118,500
Outstanding warrants, cf. note 30	**3,392,989**	**2,130,003**

Accounting policies

Earnings per share is calculated as the profit or loss for the year compared to the weighted average of the issued shares in the financial year. The basis for the calculation of diluted earnings per share is the weighted-average number of ordinary shares in the financial year adjusted for the dilutive effects of warrants.

Note 16

Intangible assets

Accounting policies

Intangible assets are measured at historic cost less accumulated amortization and impairment losses. Cost of acquired product rights are measured at cash consideration and present value of any deferred payments for those rights. Furthermore costs of acquired product rights include transaction costs that are directly attributable to the acqusition.

Internal development projects that meet the requirements for recognition as intangible assets are measured at direct cost relating to the development projects.

Amortization is provided on a straight-line basis over the useful economic lives of the assets.

The useful lives of acquired product rights are estimated to be 20 years and software is estimated to be 3-5 years.

Amortization of acquired product rights is recognized as part of cost of goods sold under production costs.

Impairment

The carrying amounts of intangible assets carried at cost or amortized cost are tested at least annually to determine whether there are indications of any impairment in excess of that expressed in normal amortization. If that is the case, the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on intangible assets are recognized under the same line item as amortization of the assets.

For development projects in progress, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

Significant accounting estimates

When determining the amortization period for acquired product rights, Management need to make an assessment of expected useful economic life. In the assessment Management take among other things the following components into consideration: The maturity of the products acquired, development in the market the acquired products are targeting, the current competitors, clinical development of new competing products and entry barriers to the market due to advanced production technology. Straight-line amortization reflects the use and impairment of the product rights.

Management continuously updates the valuation model used when acquiring the product rights to assess the value creation expected from the acquisition. The latest update of the model indicates a value above the net present value of the purchase price, hence there is no indications of impairment.

As per December 31, 2020 Management still judge that the sales milestone of EUR 25 million included in Asset Purchase Agreement is not probably and therefore the present value has not been added to the cost of the product rights.

Significant accounting judgments

Management has made the following accounting judgment which significantly affect the amounts recognized in the consolidated financial statements:

The acquisition of the two product rights from GlaxoSmithKline does not include any legal entities, and no other tangible asset, no employees and no working capital has been transferred to the Company as part of the transaction. Management has assessed that the acquisition constitute an asset deal and not a business combination. In determining the accounting treatment, Management has performed judgments and estimates determining the method for determination of the cost price of the acquired products rights including the method and period of amortization and method for recognition of deferred consideration.

Note 16

Intangible assets – continued

DKK thousand	Product rights	Acquired patents and licenses	Software	Other intangible assets in progress	Total
					2020
Costs as of January 1, 2020	5,458,700	-	101,041	3,043	5,562,784
Additions	-	29,813	2,991	57,040	89,844
Transfer	-	-	2,525	(2,525)	-
Disposals	-	-	(18,962)	-	(18,962)
Exchange rate adjustments	-	-	(8)	(15)	(23)
Cost as of December 31, 2020	**5,458,700**	**29,813**	**87,587**	**57,543**	**5,633,643**
Amortization as of January 1, 2020	-	-	78,529	-	78,529
Amortization	272,935	-	9,606	-	282,541
Disposals	-	-	(18,166)	-	(18,166)
Exchange rate adjustments	-	-	(13)	-	(13)
Amortization as of December 31, 2020	**272,935**	**-**	**69,956**	**-**	**342,891**
Carrying amount as of December 31, 2020	**5,185,765**	**29,813**	**17,631**	**57,543**	**5,290,752**

Geographical split of intangible assets – 2020	
Denmark	5,288,247
Germany	609
USA	1,896
Total intangible assets	**5,290,752**

Product rights

December 31, 2019 the Company acquired the product rights to two commercial products owned by GlaxoSmith-Kline - Rabipur/RabAvert and Encepur. The products are further described in the Management Commentary.

The products have been on the market for more than 20 years. There is no need to further develop the products. Management assess that it will require up to 10 years of clinical development for competitors to bring a new competing product to the market likewise the production process required to produce these products is highly complex. Based on these factors Management assess that the acquired product rights should be amortized over 20 years.

The acquisition price for the two product rights consist of the upfront payment and the present value of the milestone payments included in the Asset Purchase Agreement with GlaxoSmithKline, see further below. Transaction costs that are directly attributable to the acquisition have also been included in the acquisition price. The upfront payment and the transaction costs have been divided between the two acquired product rights based on a 60%/40% split equal to the historical revenue split of the two products. The milestone payments, except for the sales milestone, are specific for each product and have been allocated accordingly.

Note 16

Intangible assets – continued

DKK thousand	
Acquisition price for product rights	
Upfront payment at closing (EUR 307.6 million)	2,297,680
Directly attributable transaction costs	9,890
Cash outflow in 2019, cf. cash flow statement	2,307,570
Net present value of future probable milestone payments at initial recognition, cf. note 25	3,151,130
Total acquisition price	**5,458,700**
Allocation of acquisition price:	
Rabipur/RabAvert	3,140,250
Encepur	2,318,450
Total acquisition price	**5,458,700**

The milestone payments relate to transfer and re-registration of marketing authorizations, technology transfer of different steps of the production and packaging activities as well as a milestone payment when all services agreed to be rendered has been completed. The Asset Purchase Agreement specifies the above milestone payments for each product. In total EUR 470 million. The Asset Purchase Agreement with GlaxoSmithKline also includes a sales milestone of EUR 25 million. The sales milestone is related to the total revenue of the two products. As Management didn't judge the sales milestone to be probable as per December 31, 2019, the sales milestone was not recognized as part of the product rights at initial recognition.

Deferred consideration for the acquired product rights are described in note 25.

Acquired patents and licenses

In July 2020, the Company concluded a license and collaboration agreement with AdaptVac. The license agreement provides the Company the global commercialization rights to a COVID-19 vaccine candidate based on AdaptVac's technology. The Company has conducted a preclinical study for which positive results were announced March 8, 2021. AdaptVac will initiate a phase 1/2 open label, dose-escalation trial sponsored by Radhould University Medical Center. The Company will assume responsibility for the further clinical development and manufacturing. Under the terms of the agreement, the Company made an upfront payment of EUR 4 million to AdaptVac. The upfront payment has been capitalized and recognized as "Acquired patents and licenses". The Company has also committed to payment of potential future development and sales milestones and tiered royalties. As those milestone payments are not assessed to be probable as per December 31, 2020, these milestone payments are not recognized as an asset and a liability.

The Company will start amortizing the acquired license once a vaccine has been approved. At least annually Management will assess if any indications of impairment.

Intangible assets in progress

Rabipur/RabAvert and Encepur are currently manufactured by GlaxoSmithKline and the basis of the technology transfer to the Company is an as-is transfer of the current manufacturing process. This transfer will be a staged process, starting with packaging then filling and ending with the transfer of bulk manufacturing. The Company will incur material costs in terms of internal labour and consultancy to handle the technology transfer and gain crucial knowledge about the manufacturing process. These costs will be capitalized as an intangible asset. As per December 31, 2020 the capitalized costs amounts to DKK 38.1 million, recognized as intangible assets in progress. Other intable assets in progress relates to IT investments.

Note 16

Intangible assets – continued

DKK thousand	Product rights	Software	Other intangible assets in progress	Total
				2019
Costs as of January 1, 2019	-	100,626	119	100,745
Additions	5,458,700	364	2,974	5,462,038
Transfer	-	50	(50)	-
Exchange rate adjustments	-	1	-	1
Cost as of December 31, 2019	**5,458,700**	**101,041**	**3,043**	**5,562,784**
Amortization as of January 1, 2019	-	68,245	-	68,245
Amortization	-	10,282	-	10,282
Exchange rate adjustments	-	2	-	2
Amortization as of December 31, 2019	**-**	**78,529**	**-**	**78,529**
Carrying amount as of December 31, 2019	**5,458,700**	**22,512**	**3,043**	**5,484,255**

Geographical split of intangible assets – 2019

Denmark	5,483,903
Germany	177
USA	175
Total intangible assets	**5,484,255**

Other intangible assets in progress include investments in software.

Note 17

Property, plant and equipment

Accounting policies

Property, plant and equipment include land and buildings, production equipment, leasehold improvements, office and IT equipment and laboratory equipment and is measured at cost less accumulated depreciation and impairment losses.

Cost includes the costs directly attributable to the purchase of the asset, until the asset is ready for use. For assets constructed by the Group cost includes materials, components, third-party suppliers and labour.

Borrowing costs directly attributable to the construction of property, plant and equipment are included in cost. Other borrowing costs are recognized in the income statement.

Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year. Assets are depreciated on a straightline basis over their estimated useful lives as follows:

Buildings	10–20 years
Installations	5–15 years
Leasehold improvements	5 years
Office and IT equipment	3–5 years
Laboratory equipment	5–10 years
Production equipment	3–15 years

Management reviews the estimated useful lives of material property, plant and equipment at the end of each financial year.

Impairment

The carrying amounts of property, plant and equipment carried at cost or amortized cost are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal depreciation. If that is the case, the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on property, plant and equipment are recognized under the same line item as depreciation of the assets.

Note 17

Property, plant and equipment – continued

DKK thousand	Land and buildings	Leasehold improve-ment	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
						2020
Costs as of January 1, 2020	322,501	11,112	301,174	91,072	618,101	1,343,960
Additions	26,408	1,331	657	12,254	182,224	222,874
Transfer	201,776	1,995	185,345	197,886	(587,002)	-
Disposals	(2,390)	-	(2,152)	(6,443)	-	(10,985)
Exchange rate adjustments	(4)	(34)	-	(351)	(14)	(403)
Cost as of December 31, 2020	**548,291**	**14,404**	**485,024**	**294,418**	**213,309**	**1,555,446**
Depreciation and impairment losses as of January 1,2020	160,174	10,269	256,909	70,704	-	498,056
Depreciation	17,642	453	14,014	6,969	-	39,078
Impairment losses	5,354	-	10,712	-	-	16,066
Disposals	(1,109)	-	(1,275)	(6,243)	-	(8,627)
Exchange rate adjustments	(2)	(31)	-	(250)	-	(283)
Depreciation and impairment losses as of December 31, 2020	**182,059**	**10,691**	**280,360**	**71,180**	**-**	**544,290**
Carrying amount as of December 31, 2020	**366,232**	**3,713**	**204,664**	**223,238**	**213,309**	**1,011,156**

Geographical split of property, plant and equipment – 2020

Denmark	990,423
Germany	20,031
USA	702
Total property, plant and equipment	**1,011,156**

Assets under construction relates to the fill and finish manufacturing facility in Kvistgaard. As per December 31, 2020 investments in the building, the installations and the freezedryer, filing and packaging line have been transfered to the relevant asset groups, whereas other production equipment is still recognized as 'Asset under construction'. The depreciation of the fill and finish building and equipment will start in 2021.

The Company has not incurred any borrowing costs directly attributable to the construction of the fill finish manufacturing facility, hence no borrowing costs have been capitalized.

Mortgage loans of DKK 23.2 million are secured by mortgages totaling DKK 50.0 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2020, mortgage deeds for a total of DKK 75.0 million have been issued. The carrying amount of assets mortgaged in security of mortgage loans is DKK 570.9 million (land and buildings: DKK 366.2 million; plant and machinery: DKK 204.7 million).

Note 17

Property, plant and equipment – continued

DKK thousand	Land and buildings	Leasehold improve-ment	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
						2019
Costs as of January 1, 2019	322,500	11,107	301,174	86,895	262,114	983,790
Additions	-	-	-	1,600	358,502	360,102
Transfer	-	-	-	2,515	(2,515)	-
Exchange rate adjustments	1	5	-	62	-	68
Cost as of December 31, 2019	**322,501**	**11,112**	**301,174**	**91,072**	**618,101**	**1,343,960**
Depreciation and impairment losses as of January 1, 2019	143,058	10,060	246,863	65,001	-	464,982
Depreciation	17,116	204	10,046	5,673	-	33,039
Exchange rate adjustments	-	5	-	30	-	35
Depreciation and impairment losses as of December 31, 2019	**160,174**	**10,269**	**256,909**	**70,704**	**-**	**498,056**
Carrying amount as of December 31, 2019	**162,327**	**843**	**44,265**	**20,368**	**618,101**	**845,904**

Mortgage loans of DKK 25.4 million are secured by mortgages totaling DKK 50.0 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2019, mortgage deeds for a total of DKK 75.0 million have been issued. The carrying amount of assets mortgaged in security of mortgage loans is DKK 538.5 million (land and buildings: DKK 162.3 million; plant and machinery: DKK 44.3 million; fill and finish facility under construction: DKK 331.9 million).

Geographical split of property, plant and equipment – 2019

Denmark	832,778
Germany	12,043
USA	1,083
Total property, plant and equipment	**845,904**

Note 18

Right-of-use-assets

				2020
DKK thousand	Rent facility	Car leasing	Equipment	Total
Right-of-use assets as of January 1, 2020	58,369	1,628	593	60,590
Additions	26,982	1,705	542	29,229
Modifications	1,336	459	(1)	1,794
Depreciations	(17,437)	(1,486)	(390)	(19,313)
Exchange rate adjustments	(319)	6	-	(313)
Right-of-use assets as of December 31, 2020	**68,931**	**2,312**	**744**	**71,987**

				2019
DKK thousand	Rent facility	Car leasing	Equipment	Total
Impact from applying IFRS 16 as of January 1, 2019	80,470	1,736	662	82,868
Additions	-	1,039	306	1,345
Modifications	(10,419)	292	(64)	(10,191)
Depreciations	(11,975)	(1,439)	(310)	(13,724)
Exchange rate adjustments	293	-	(1)	292
Right-of-use assets as of December 31, 2019	**58,369**	**1,628**	**593**	**60,590**

DKK thousand	2020	2019
Amounts included in the income statement		
Interest expense leases	1,965	1,771
Depreciation recognized on right-of-use assets	19,314	13,724
Cost recognized for short term leases (less than 12 months)	2,050	1,507
Income from subleasing right-of-use assets	-	365

As of 1 January 2019, Bavarian Nordic applied IFRS 16 'Leases' for the first time. IFRS 16 "Leases" replaced IAS 17 "Leases", and the new standard was implemented using the simplified retrospective transition approach without restating comparative figures, with a lease asset value equal to the lease liability value upon transition. Upon implementation January 1, 2019, the group recognized a right-of-use-asset of DKK 83 million and a lease liability of DKK 83 million. The implementation did not have any impact on equity.

§ Accounting policies

The right-of-use assets comprise the initial measurement of the corresponding lease liability. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

All operating leases with a lease term of more than 12 months are recognized on the balance sheet as right-of-use-assets.

For leases with a lease term of less than 12 months the lease payments are recognized as an operating expense on a straight-line basis over the term of the lease.

The right-of-use-assets are measured at the present value of all future lease payments. When assessing the lease term, any extension or termination options are included in the assessment. The options are included in determining the lease term, if exercise is reasonably certain. When determining the discount rates used to calculate the net present value of future lease payments, an incremental country specific borrowing rate is used, based on a government bond plus the Group's credit margin, ranging from 2.5% to 3.0%. A single discount rate is used for a portfolio of lease assets with reasonable similar characteristics. Initial direct costs are not included in measurement of the right-of-use-assets. Non-lease components are not separated from lease components.

Impact from change in lease terms, lease payments or modification of the lease contract is further described in note 27.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. IAS 36 is applied to determine whether a right-of-use asset is impaired and any identified impairment losses are accounted for as described in note 16.

Note 19

Inventories

DKK thousand	2020	2019
Raw materials and supply materials	73,919	39,578
Work in progress	201,601	163,513
Manufactured goods and commodities	309,099	1,727
Write-down on inventory	(63,537)	(104,056)
Inventories	**521,082**	**100,762**
Write-down on inventory as of January 1	(104,056)	(107,692)
Write-down for the year	(25,692)	(17,824)
Use of write-down	65,672	7,683
Reversal of write-down	539	13,777
Write-down on inventory as of December 31	**(63,537)**	**(104,056)**
Cost of goods sold amounts to, cf. note 4	584,574	87,272

The inventory of Rabipur/RabAvert and Encepur products amounted to DKK 307.5 million (DKK 0 million) as per December 31, 2020.

During 2020 a provisional write-down of DKK 21 million was made for batches at risk. Later in the year the final release tests failed and products were scrapped and recognized as 'use of write-down'. Use of write-down also includes scrap of old JYNNEOS vials full written down prior years.

2019 write-downs included a reversal of write-down on three batches that subsequently were deemed usable for the validation of the freeze-drying production process funded by the U.S. Biomedical Advanced Research and Development Authority (BARDA). The batches were used and sold under the BARDA funded contract and recognized as contract income.

Accounting policies

Inventories except for raw materials are measured at the lower of cost using the weighted average cost formula method less write-downs for obsolescence and net realisable value. Raw materials are measured at cost based on the FIFO method. For raw materials, cost is determined as direct acquisition costs incurred. The cost of finished goods produced in-house and work in progress includes raw materials, consumables, filling cost, QC testing and direct payroll costs plus indirect costs of production.

Indirect costs of production include indirect materials and labour as well as maintenance of and depreciation on the machinery used in production processes, factory buildings and equipment used and cost of production administration and management. The net realisable value is the estimated sales price in the ordinary course of business less relevant sales costs determined on the basis of marketability, obsolescence and changes in the expected sales price.

Significant accounting estimates

Production overheads are measured on the basis of actual costs. The basis of the actual costs is reassessed regularly to ensure that they are adjusted for changes in the utilization of production capacity, production changes and other relevant factors. Biological living material is used, and the measurements and assumptions for the estimates made may be incomplete or inaccurate, and unexpected events or circumstances may occur, which may cause the actual outcomes to later deviate from these estimates. It may be necessary to change previous estimates as a result of changes in the assumptions on which the estimates were based or due to new information or subsequent events, for which certainty could not be achieved in the earlier estimates.

Estimates that are material to the financial reporting are made in the determination of any impairment of inventories as a result of 'out-of-specification' products, expiry of products and sales risk.

Note 20

Trade receivables

DKK thousand	2020	2019
Trade receivables from smallpox vaccine sale	-	281
Trade receivables from Encepur and Rabipur/RabAvert	121,355	-
Trade receivables from contract work	17,937	43,124
Trade receivables	**139,292**	**43,405**

			2020
DKK thousand	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Trade receivables			
Not past due date	135,358	-	135,358
Overdue by 0-3 months	4,014	(80)	3,934
Trade receivables	**139,372**	**(80)**	**139,292**

			2019
DKK thousand	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Trade receivables			
Not past due date	43,405	-	43,405
Trade receivables	**43,405**	**-**	**43,405**

Credit risk

The Group's customers are predominantly public authorities and renowned pharmaceutical companies and wholesalers, therefore the credit risk is very low. Historically the Group hasn't recognized losses on receivables. There are some insignificant overdue receivables as of December 31, 2020 (DKK 4 million). As of December 31, 2020 a loss allowance of DKK 80 thousand has been recognized. The loss allowance is recognized in the income statement under sales and distribution costs.

The majority of sales of Rabipur/RabAvert and Encepur are made to wholesalers where the risk of loss is very low and therefore the loss allowance is limited.

The Group has applied the simplified approach to measure the expected credit loss and a lifetime expected loss allowance for all trade receivables.The allowance is an estimate based on shared credit risk characteristics and the days past due. At the time of revenue recognition, the Company assesses the full lifetime expected credit losses. In addition, undue and due receivables are analyzed in an ongoing process. Based on the credit assessment, receivables analysis, historical experience and industry experience, it is estimated whether the receivables are recoverable or write-downs are needed. The Company monitors the credit exposure on all customers, both new and existing.

The Company recognizes a loss allowance for expected credit losses and writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Subsequent recovery of amounts previously written down is credited against sales and distribution costs.

The payment conditions for the customers, including credit periods and any payment of interest in case of non-payment, vary, but are always based on industry practice in the relevant market. The weighted average credit period is approximately 60 days for the sales of Rabipur/RabAvert and Encepur.

The tables detail the risk profile for trade receivables.

§ Accounting policies

Receivables are measured at initial recognition at fair value and subsequently at amortized value usually equal to the nominal value, net of impairment based on expected credit losses.

Write-downs are calculated using the 'full lifetime expected credit losses' method, whereby the likelihood of non-fulfilment throughout the lifetime of the financial instrument is taken into consideration. A provision account is used for this purpose.

Note 21

Other receivables

DKK thousand	2020	2019
Deposits	4,122	1,445
Receivable VAT and duties	31,486	24,188
Derivative financial instruments at fair value	606	3,530
Interest receivables	3,767	664
Other receivables	1,475	5
Other receivables	**41,456**	**29,832**
Classified as:		
Non-current assets	4,122	1,445
Current assets	37,334	28,387
Other receivables	**41,456**	**29,832**

Accounting policies

Receivables are measured at initial recognition at fair value and subsequently at amortized value usually equal to the nominal value, net of impairment, to counter the loss after an individual assessment of risk of loss.

Note 22

Prepayments

DKK thousand	2020	2019
Incurred project costs related to subsequent years	824	3,591
Other prepayments	12,908	5,598
Prepayments	**13,732**	**9,189**

As per December 31, 2019 "Incurred project costs related to subsequent years" related mainly to support qualification of the new fill and finish facility funded by BARDA. The project costs were expensed in 2020 along with revenue recognition.

Accounting policies

Prepayments recognized under assets include costs paid in respect of subsequent financial years, including project costs incurred that relate to revenue of subsequent years. Prepayments are measured at cost.

Note 23

Other liabilities

DKK thousand	2020	2019
Financial instruments at fair value	1,414	1,243
Liability relating to phantom shares	4,849	1,135
Payable salaries, holiday accrual etc.	101,229	58,755
Gross to net deduction accrual	26,355	-
Other accrued costs	17,967	18,672
Other liabilities	**151,814**	**79,805**

Under the new Danish Holiday Act a transitional arrangement exists under which vacation accrued for the period September 1, 2019 to August 31, 2020, has been frozen and will not be paid out before retirement. The Company has decided to deposit the accrued amount, DKK 25.1 million, to the Holiday Fund ("Lønmodtagernes Feriemidler") to ensure the asset management of the funds. The deposit was made in February 2021.

For a further description of financial instruments see note 24. The phantom share programs are described in note 30.

Accounting policies

Derivative financial instruments and liability relating to phantom shares are measured at fair value. For further details regarding measurement of fair value for phantom shares see note 30.

Other financial liabilities are measured at initial recognition at fair value less any transaction costs. Subsequent other financial liabilities are measured at amortized cost using the effective interest method, whereby the difference between proceeds and the nominal value is recognized in the income statement as a financial expense over the period. Amortized cost usually equal to the nominal value.

Note 24

Financial risks and financial instruments

DKK thousand	2020	2019
Categories of financial instruments		
Trade receivables	139,292	43,405
Other receivables	40,850	26,302
Cash and cash equivalents	285,487	297,545
Financial assets measured at amortized cost	**465,629**	**367,252**
Securities	1,384,120	174,819
Financial assets measured at fair value through the income statement	**1,384,120**	**174,819**
Derivative financial instruments to hedge future cash flows (exchange rate)	606	3,530
Financial assets used as hedging instruments	**606**	**3,530**
Deferred consideration for product rights	2,822,668	3,151,130
Debt to credit institutions	395,442	1,770,559
Lease liabilities	74,623	61,400
Trade payables	345,320	112,088
Other liabilities	145,551	77,427
Financial liabilities measured at amortized cost	**3,783,604**	**5,172,604**
Liability relating to phantom shares	4,849	1,135
Financial liabilities measured at fair value through the income statement	**4,849**	**1,135**
Derivative financial instruments to hedge future cash flows (interest)	1,414	1,243
Financial liabilities used as hedging instruments	**1,414**	**1,243**

§ Accounting policies

Derivative financial instruments
On initial recognition, derivative financial instruments are measured at the fair value on the settlement date.

Directly attributable costs related to the purchase or issuance of the individual financial instruments (transaction costs) are added to the fair value on initial recognition, unless the financial asset or the financial liability is measured at fair value with recognition of fair value adjustments in the income statement. Subsequently, they are measured at fair value at the balance sheet date based on the official exchange rates, market interest rates and other market data such as volatility adjusted for the special characteristics of each instrument.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as effective hedges of future transactions (cash flow hedges) are recognized as comprehensive income. The ineffective portion is recognized immediately in the income statement. When the hedged transactions are realized, cumulative changes are recognized in the income statement together with the hedged transaction or in respect of a non-financial item as part of the cost of the transactions in question.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized as financials in the income statement as they occur.

The Company has designated certain derivative financial instruments as cash flow hedges as defined under IFRS 9 "Financial Instruments". Hedge accounting is classified as a cash flow hedge when the hedges of a particular risk is associated with the cash flows of highly probable forecast transactions.

Securities
Securities consist of listed bonds, which are measured at fair value on initial recognition and as of the balance sheet date. The Group's portfolio of securities is treated as "financial items at fair value through profit or loss", as the portfolio is accounted for and valued on the basis of the fair value in compliance with the Company's investment policy.

Both realized and unrealized value adjustments are recognized in the income statement under financials.

Note 24

Financial risks and financial instruments – continued

Policy for managing financial risks
Through its operations, investments and financing the Group is exposed to fluctuations in exchange rates and interest rates. These risks are managed centrally in the Parent Company, which manages the Group's liquidity. The Group pursues a treasury policy approved by the Board of Directors. The policy operates with a low risk profile, so that exchange rate risks, interest rate risks and credit risks arise only in commercial relations. The Group therefore does not undertake any active speculation in financial risk.

The Group's capital structure is regularly assessed by the Board of Directors relative to the Group's cash flow position and cash flow budgets.

Market risks
The pharmaceutical market is characterized by the aim of authorities to reduce or cap healthcare costs in general. Market changes such as price reductions and launch of competing generic products may have a considerable impact on the earnings potential of pharmaceuticals.

Interest rate risk
It is the Group's policy to hedge interest rate risks on loans whenever it is deemed that interest payments can be hedged at a satisfactory level relative to the related costs. Hedging will then consist of interest rate swaps that convert floating rate loans to fixed rate loans. Management determines the economic relationship between the hedged item and the hedging instrument to ensure a high hedge effectiveness. The interest rate risk involved in placing cash funds and investing in securities is managed on the basis of duration.

Exchange rate risks
The Group's exchange rate exposure is primarily to USD and EUR. The exchange rate exposure to USD is hedged to the greatest possible extent by matching incoming and outgoing payments denominated in USD, looking at maximum one year ahead. Regular assessments are made of whether the remaining net position should be hedged by currency forward contracts or currency option contracts.

The exposure to EUR is not hedged as management believes that fluctuations in EUR are limited due to the Danish fixed-rate policy which is expected to be maintained. Thus the fluctuations in EUR do not have a significant impact on financial performance.

The table shows the net effect it would have had on equity and profit for the year if the year-end exchange rates of USD, EUR and CHF had been 15% or 1%, respectively, higher than the actual exchange rates. A corresponding fall in the actual exchange rates would have had an opposite (positive/negative) effect on profit and equity.

Exchange rate risks on recognized financial assets and liabilities

DKK thousand	Cash and cash equivalents, securities	Receivables	Liabilities	Net position
2020				
EUR	35,364	32,418	(3,005,383)	(2,937,601)
USD	80,634	111,426	(126,786)	65,274
CHF	572	655	(12,916)	(11,689)
2019				
EUR	10,586	1,120	(4,585,427)	(4,573,721)
USD	86,171	63,511	(20,074)	129,608

Sensitivity analysis on exchange rates

DKK thousand	Likely change in exchange rate	Hypothetical change in equity	Hypothetical change in profit
2020			
Change if higher USD-rate than actual rate	15%	(46,537)	12,469
Change if higher EUR-rate than actual rate	1%	(28,226)	(29,445)
Change if higher CHF-rate than actual rate	1%	(1,934)	(107)
2019			
Change if higher USD-rate than actual rate	15%	(45,663)	20,335
Change if higher EUR-rate than actual rate	1%	(45,221)	(46,416)

Note 24

Financial risks and financial instruments – continued

Derivative financial instruments not designated as hedge accounting

Currency forward contracts and currency option contracts which are not designated as hedge accounting are classified as financial assets/liabilities measured at fair value with value adjustments recognized through the income statement.

There were no open currency contracts as of December 31, 2020 or as per December 31, 2019 not designated as hedge accounting.

Hedging of expected future cash flows

In December 2020 the Company concluded currency forward contracts of USD 125 million to hedge the sale of bulk drug substance batches to BARDA following the award of the contract for 2021 deliveries. The concluded currency forward contracts are deemed to be 100% effective.

In December 2019 the Company concluded a currency forward contract of USD 90 million to hedge the main part of the income from sale of the Priority Review Voucher.

In 2016 the Company refinanced the old mortgage loans (fixed rate) and obtained a new mortgage loan with floating rate. The Company also concluded an interest rate swap to convert the floating rate loan to a fixed rate loan. The interest rate swap has the same maturity date and nominal amount as the mortgage loan to secure high effectiveness of the hedge.

Cash flow hedge - forward currency contracts

DKK thousand	Forward price	Contract amount based on agreed rates	Fair value as of December 31	Fair value adjustment recognized in other comprehensive income
2020				
Participating forward currency contracts (USD/DKK)	minimum 5.93 - 6.00	496,967	606	606
			606	**606**
2019				
Forward currency contract (USD/DKK)	6.68	601,155	3,530	3,530
			3,530	**3,530**

Cash flow hedge - interest rate swap

DKK thousand	Contract amount based on agreed rates	Fair value as of December 31	Fair value adjustment recognized in other comprehensive income
2020			
Interest rate swap			
DKK - fixed rate 0.9625% p.a. (expiry 2031)	23,461	(1,414)	(171)
		(1,414)	**(171)**
2019			
Interest rate swap			
DKK - fixed rate 0.9625% p.a. (expiry 2031)	25,578	(1,243)	(886)
		(1,243)	**(886)**

Cash risks

The Group's bank deposits are placed in deposit accounts without restrictions. The Group's cash and cash equivalents totaled DKK 285.4 million as of December 31, 2020 (DKK 297.5 million).

The Group's fixed rate bond portfolio expires as shown below. Amounts are stated excluding interest.

Note 24

Financial risks and financial instruments – continued

	2020		2019	
DKK thousand	**Fair value as of December 31**	**Effective interest**	**Fair value as of December 31**	**Effective interest**
Bond portfolio				
Within 0-2 years	286,325	-0.4%	-	-
Within 3-5 years	467,023	-0.4%	43,443	-0.3%
After 5 years	630,772	0.1%	131,376	0.1%
Total	**1,384,120**	**-0.2%**	**174,819**	**0.1%**

Fluctuations in interest rate levels affect the Group's bond portfolio. An increase in the interest rate level by 1 percentage point relative to the interest rate level on the balance sheet date would have had a negative impact of DKK 23.5 million on the Group's profit and equity (DKK 25.5 million). A corresponding decrease in the interest rate level would have had a positive impact of DKK 23.5 million on profit and equity (DKK 25.5 million). The impact for 2019 was calculated based on the average bond portfolio holdings for the year. The bond portfolio was reduced to a very low level end December 2019, following the purchase of the Rabipur/RabAvert and Encepur product rights.

Note 24

Financial risks and financial instruments – continued

Maturity of financial liabilities (including interest) 2020

DKK thousand	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Deferred consideration for product rights[1)]	393,624	2,753,133	-	3,146,757
Credit institutions	15,499	394,556	12,700	422,755
Lease liabilities	20,422	54,201	-	74,623
Trade payables	345,320	-	-	345,320
Other liabilities	150,897	-	-	150,897
Non-derivative financial liabilities	**925,762**	**3,201,890**	**12,700**	**4,140,352**
Derivative financial liabilities	**1,414**	**-**	**-**	**1,414**

Maturity of financial liabilities (including interest) 2019

DKK thousand	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Deferred consideration for product rights[1)]	469,844	3,062,577	-	3,532,421
Credit institutions	1,401,839	407,829	15,057	1,824,725
Lease liabilities	14,032	44,538	6,855	65,425
Trade payables	112,088	-	-	112,088
Other liabilities	78,562	-	-	78,562
Non-derivative financial liabilities	**2,076,365**	**3,514,944**	**21,912**	**5,613,221**
Derivative financial liabilities	**1,243**	**-**	**-**	**1,243**

[1)] Further explained in note 26.

With respect to the Group's debt to credit institutions, an increase in the applicable interest rate by 1 percentage point would have had a negative impact on the Group's profit and equity of DKK 4.0 million (DKK 4.0 million). A corresponding decrease in the interest rate would have had an equivalent positive impact.

In May 2015, the Group secured a loan facility of EUR 50 million from the European Investment Bank (EIB) in support of the Group's research and development of vaccines against Ebola and other infectious diseases as well as cancer immunotherapies. The loan facility, which is unsecured, was fully utilized in October 2017 with a net proceed of DKK 372.2 million. The loan is a five year bullet loan with expiry in 2022 and with a fixed interest of 3.532%.

In August 2018 the Company was granted an unsecured loan facility of EUR 30 million from the European Investment Bank to support the Company's investments in the fill and finish manufacturing facility. The loan facility, which is unsecured, may be utilized in up to three tranches. The repayment period may be up to seven years from disbursement of the tranches. The loan could potentially carry a fixed or variable interest payment. The margin associated with the loan facility is 3.21%. As of December 31, 2020 the balance remains unused. The Company will have to draw down on the loan latest August 2021.

In October 2019, the Company entered into a committed bridge loan facility agreement with Citi and Nordea as lenders pursuant to which the lenders granted a EUR 185 million (DKK 1,373 million) bridge loan to the Company. The Bridge Loan was utilised on December 30, 2019 and the proceeds were applied towards partly financing the upfront payment of the acquisition of product rights from GlaxoSmithKline, EUR 307.6 million paid in cash on December 31, 2019.

The Bridge Loan was repaid March 2020 following the completion of the right issue.

Debt to credit institutions also include a mortgage loan of DKK 23.2 million (DKK 25.4 million), further described in note 26.

The Group has a credit facility of DKK 20 million (DKK 20 million) at Nordea. As of December 31, 2020, DKK 0.1 million (DKK 0.1 million) of the credit facility is utilized for bank guarantees.

Note 24

Financial risks and financial instruments – continued

Credit risks
The primary credit risk relates to trade receivables. The Company assesses the expected credit losses also considering changes in the macro environment that might impose an increased risk of losses. This is compared to the previous model where indications of credit losses were needed for the Company to recognize an expected loss. The Group's customers are predominantly public authorities and renowned pharmaceutical companies and wholesalers, and the credit risk on the Group's receivables is therefore considered to be very low. A loss allowance of DKK 80 thousand has been recognized as of December 31, 2020, cf. note 20.

To manage credit risk regarding financial counterparties, the Company only enters into derivative financial contracts and money market deposits with financial counterparties possessing a satisfactory long-term credit rating from at least two out of the three selected ratings agencies: Standard and Poor's, Moody's and Fitch.

Cash and cash equivalents are not deemed to be subject to any special credit risk as they are deposited with Nordea. The bond portfolio is invested in either Danish government bonds, Danish mortgage bonds or bonds issued by Danish banks with high ratings.

Optimization of capital structure
Management regularly assesses whether the Group's capital structure best serves the interests of the Group and its shareholders. The overall goal is to ensure that the Group has a capital structure which supports its long-term strategy and growth target.

Fair value hierarchy for financial instruments measured at fair value **2020**

DKK thousand	Level 1	Level 2	Total
Securities	1,384,120	-	1,384,120
Financial assets measured at fair value through the income statement	**1,384,120**	**-**	**1,384,120**
Derivative financial instruments to hedge future cash flow (currency)	-	606	606
Derivative financial instruments to hedge future cash flow (interest)	-	(1,414)	(1,414)
Financial assets/liabilities used as hedging instruments	**-**	**(808)**	**(808)**
Liability relating to phantom shares	-	(4,849)	(4,849)
Financial liabilities measured at fair value through the income statement	**-**	**(4,849)**	**(4,849)**

Fair value hierarchy for financial instruments measured at fair value **2019**

DKK thousand	Level 1	Level 2	Total
Securities	174,819	-	174,819
Financial assets measured at fair value through the income statement	**174,819**	**-**	**174,819**
Derivative financial instruments to hedge future cash flow (currency)	-	3,530	3,530
Derivative financial instruments to hedge future cash flow (interest)	-	(1,243)	(1,243)
Financial assets/liabilities used as hedging instruments	**-**	**2,287**	**2,287**
Liability relating to phantom shares	-	(1,135)	(1,135)
Financial liabilities measured at fair value through the income statement	**-**	**(1,135)**	**(1,135)**

Securities (level 1)
The portfolio of publicly traded government bonds, publicly traded mortgage bonds and bank bonds is valued at listed prices and price quotas.

Derivative financial instruments (level 2)
Currency forward contracts, currency option contracts and currency swap contracts are valued according to generally accepted valuation methods based on relevant observable swap curves and exchange rates.

Liability relating to phantom shares is determined using the Black-Scholes. The valuation is based on observable share price, interest rates and volatility rates.

Note 25

Deferred consideration for product rights

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2020				
Deferred consideration for product rights	357,736	2,464,932	-	2,822,668
Total	**357,736**	**2,464,932**	**-**	**2,822,668**
2019				
Deferred consideration for product rights	459,730	2,691,400	-	3,151,130
Total	**459,730**	**2,691,400**	**-**	**3,151,130**

The Asset Purchase Agreement with GlaxoSmithKline includes milestone payments relating to transfer and registration of marketing authorizations, technology transfer of different steps of the production and packaging activities as well as a milestone payment when all services agreed to be rendered by GlaxoSmithKline has been completed. In total EUR 470 million. During 2020 the two first milestone payments of a total of EUR 50 million was paid. The payments are presented as cash flow from investment activities in the cash flow statement. The majority of the milestone payments are expected to be payable in 2022-2023. The completion milestone is expected to be payable beginning of 2025.

The Asset Purchase Agreement with GlaxoSmithKline also includes a sales milestone of EUR 25 million. As per December 31, 2020 Management does not judge the sales milestone to be probable and therefore the sales milestone has not been recognized as either part of the product rights (note 16) nor the deferred consideration for product rights.

The carrying amount are measured using a discount rate of 4% per annum. The discount rate was determined at intial recognition based on an interest rate on a similar loan of the same size and maturity as the contingent milestone payments and the Company's credit rating as of December 31, 2019.

The fair value of the deferred consideration as per December 31, 2020 amounts to DKK 2,838 million, measured using the updated discount rate of 3.8%. The discount rate has been determined based on the same components as described above.

§ Accounting policies

Deferred consideration including contingent milestone payments for product rights is recognized when its payment is probable and it can be measured reliably and is at initial recognition measured at fair value which equals present value of future deferred payments. Subsequently, the deferred consideration is measured at amortized cost. This means that the difference between the present value of the consideration and the nominal amounts due is recognized in the income statement as a financial expense over the period until expected payment date using the effective interest method.

The expected phasing of future payments and the probability of contingent payments are assessed on each reporting date.

The cash flow from payment of deferred consideration for product rights will be recognized as cash flow from investment activities.

Note 26

Debt to credit institutions

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2020				
Mortgage[1)]	2,174	8,670	12,403	23,247
European Investment Bank (loan in DKK) [2)]	-	372,195	-	372,195
Total	**2,174**	**380,865**	**12,403**	**395,442**
2019				
Bridge loan[3)]	1,372,953	-	-	1,372,953
Mortgage[1)]	2,163	8,651	14,597	25,411
European Investment Bank (loan in DKK) [2)]	-	372,195	-	372,195
Total	**1,375,116**	**380,846**	**14,597**	**1,770,559**

[1)] Floating interest - swapped to fixed interest of 0.9625% - expiry 2031
[2)] Fixed interest of 3.532% - bullet loan with expiry 2022
[3)] Variable interest, the base rate is EURIBOR plus a margin adjusted up-wards during the tenor of the bridge loan ranging from initially 1.25% to 2.75%

The fair value of the debt to credit institutions amounts to DKK 395.6 million (DKK 1,779.5 million). The fair value of mortgage debt is based on the market value of the underlying bonds set by the bank (level 2), whereas the fair value of the bridge loan and the European Investment Bank loan is based on a discounted cash analysis flow of future payments of interest and principal by applying a market based discount rate (level 2).

The bridge loan was repaid end March 2020 when the rights issue was completed.

The tables below detail changes in the Group's liabilities arising from financing activities, both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

Cash flow from financing activities

DKK thousand	January 1, 2020	Cash movement	Non-cash movement	December 31, 2020
2020				
Bridge loan	1,372,953	(1,373,434)	481	-
Mortgage	25,411	(2,164)	-	23,247
European Investment Bank (loan in DKK)	372,195	-	-	372,195
Lease liabilities	61,400	(17,799)	31,022	74,623
Total liabilities from financing activities	**1,831,959**	**(1,393,397)**	**31,503**	**470,065**

DKK thousand	January 1, 2019	Cash movement	Non-cash movement	December 31, 2019
2019				
Bridge loan	-	1,372,953	-	1,372,953
Mortgage	27,566	(2,155)	-	25,411
European Investment Bank (loan in DKK)	372,195	-	-	372,195
Security lending (repo transactions)	246,729	(246,729)	-	-
Lease liabilities [1)]	82,868	(12,923)	(8,545)	61,400
Total liabilities from financing activities	**729,358**	**1,111,146**	**(8,545)**	**1,831,959**

[1)] Lease liabilities as of January 1, 2019 (DKK 82,868 thousand) reflects impact from applying IFRS 16 as of January 1, 2019.

§ Accounting policies

Loans are measured at the time of borrowing at fair value less any transaction costs. Subsequently, debt is measured at amortized cost. This means that the difference between the proceeds of the loan and the amount to be repaid is recognized in the income statement over the term of the loan as a financial expense using the effective interest method.

Note 27

Lease liabilities

DKK thousand	2020	2019
Non-current	54,201	47,549
Current	20,422	13,851
Lease liabilities	**74,623**	**61,400**

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2020				
Lease liabilities	20,422	54,201	-	74,623
Total	**20,422**	**54,201**	**-**	**74,623**
2019				
Lease liabilities	13,851	40,772	6,777	61,400
Total	**13,851**	**40,772**	**6,777**	**61,400**

Accounting policies

The lease liability is initially measured at the present value of the future lease payments (see further in note 18), discounted by using an incremental country specific borrowing rate ranging from 2.5% to 3.0% applying only a single discount rate for a portfolio of lease assets with reasonable similar characteristics.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured and corresponding adjustments are made to the related right-of-use-asset whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified and the lease modification is not accounted for as a seperate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Note 28

Prepayment from customers

DKK thousand	2020	2019
Prepayment from customers as of January 1	6,631	41,818
Prepayments received during the year	77,185	35,115
Recognized as revenue during the year	(9,469)	(70,302)
Prepayment from customers as of December 31	**74,347**	**6,631**

In July 2020, the Company recieved an initial and non-refundable payment of DKK 55.1 million (USD 8.3 million) from Janssen Vaccines & Prevention B.V. (Janssen) related to purchase of MVA–BN–Filo Drug Substance. The initial payment amounts to 60% of the agreed purchase price. The batches will be delivered in beginning of 2021.

In December 2015, the Company signed a license and collaboration agreement with Janssen Vaccines & Prevention B.V. (Janssen). Under the agreement, Janssen will acquire exclusive rights to the Group's MVA-BN® technology for use in a prime-boost vaccine regimen together with Janssen's own AdVac® technology with the purpose of targeting all cancers induced by human papillomavirus (HPV). Under the terms of the agreement, the Group received an upfront payment of DKK 61.7 million (USD 9 million) in January 2016. Revenue recognized in 2020 amounted to DKK 3.1 million. As per December 31, 2020 the full upfront payment has been recognized as revenue. There is no repayment obligation.

Under the HPV license and collaboration agreement Janssen has ordered a new Master Seed Virus and made an upfront payment of DKK 16.9 million (USD 2.5 million) in February 2020. As per December 31, 2020, recognition of DKK 16.9 million in revenue is outstanding. The recognition of revenue will occur once the Master Seed Virus has been produced and released.

In March 2018, the Company signed a new contract with the United States Department of Defense for the development of a prophylactic vaccine against the equine encephalitis virus – a rare but potentially deadly mosquito-borne illness. The multi-year collaboration includes total considerations of up to USD 36 million. In 2018, the Company received prepayments of DKK 14.7 million related to production activities conducted in 2018. In the beginning of 2019, the Company received the last prepayments (DKK 35.1 million) related to the production activities. All prepayments were recognized as revenue in 2019 when the products were released. As per December 31, 2020, no recognition of revenue was outstanding.

In September 2017, Janssen Vaccines & Prevention B.V. (Janssen) was awarded a contract from BARDA of USD 44.7 million, with options for additional funding over 5 years to help support the development and potential licencure of the Ebola vaccine regimen. The company supports Janssen in this process with a number of activities relating to MVA-BN® Filo, which are also being funded under the contract with BARDA. The Company received DKK 14.4 million in prepayments. The prepayment was recognized as revenue in 2019 when the products were released. As per December 31, 2020, no recognition of revenue was outstanding.

In August 2017, the Company signed a license and collaboration agreement with Janssen Vaccines & Prevention B.V. (Janssen). The collaboration grants Janssen the exclusive rights to Bavarian Nordic's MVA-BN® technology for vaccine agains hepatitis B virus (HBV) and the human immunodeficiency virus (HIV). Under the terms of the agreement, the Group received an upfront payment of DKK 62.9 million (USD 10 million) in September 2017. Revenue recognized in 2020 amounted to DKK 3.5 million. As per December 31, 2020 the full upfront payment has been recognized as revenue. There is no repayment obligation.

The recognition of revenue is described in note 3.

§ Accounting policies

Prepayments are recognized under liabilities and will be recognized in the income statement as the delivery of paid products takes place.

Note 29

Related party transactions

The Group Management and Board of Directors of Bavarian Nordic A/S are considered related parties.

Besides the remuneration of the Board of Directors and the Executive Management, cf. note 8, and the share-based payments, cf. note 30, there are no transactions with related parties.

Transactions with subsidiaries are eliminated in the consolidated financial statements, in accordance with the accounting policies.

Note 30

Share-based payment

Accounting policies

Share-based incentive plans in which employees can only opt to buy shares in the Company (warrants) are measured at the equity instruments' fair value at the grant date and recognized in the income statement over the vesting period. The balancing item is recognized directly in equity. The fair value on the date of grant is determined using the Black-Scholes model.

Cash-based incentive programs in which employees can have the difference between the agreed exercise price and the actual share price settled in cash (phantom shares) are measured at fair value at the date of grant and recognized in the income statement over the period when the final right of cash-settlement is obtained. Granted rights are subsequently re-measured on each balance sheet date and upon final settlement, and any changes in the fair value of the programs are recognized in the income statement. The balancing item is recognized under other liabilities.

The fair value of the cash-based incentive programs is determined using the Black-Scholes model.

Restricted stock units are measured at fair value at grant date. Based on the achieved cash bonus for members of the Executive Management, subject to the Board of Directors' decision on the portion that should be converted to restricted stock units, the number of restricted stock units are calculated by dividing the allocated cash bonus amount by the share price of the Company at grant date. As the cash bonus has already been accrued and expensed in the income statement, the grant of restricted stock units has no additional impact on the income statement. The accrued liability for the converted cash bonus is reclassified to equity.

Matching shares are measured at the same fair value as the initial restricted stock units and expensed over the three year vesting period. The balancing item is recognized directly in equity. Restricted stock units granted as sign-on bonus for members of the Executive Management and restricted stock units granted to the Board of Directors are expensed at grant date with the balancing item recognized directly in equity.

Incentive plans

In order to motivate and retain key employees and encourage the achievement of common goals for employees, management and shareholders, the Company has established incentive plans by way of warrant programs and restricted stock units programs, the latter only for members of the Executive Management and Board of Directors. Furthermore, the Company has established three-year phantom share programs for all employees of the Group.

Warrants

The Board of Directors has been granting warrants to the Company's management and selected employees of the Company and its subsidiaries.

The warrants are granted in accordance with the authorizations given to the Board of Directors by the shareholders. The Board of Directors has fixed the terms of and the size of the grants of warrants, taking into account authorizations from the shareholders, the Group's guidelines for incentive pay, an assessment of expectations of the recipient's work efforts and contribution to the Group's growth, as well as the need to motivate and retain the recipient. Grant takes place on the date of establishment of the program. Exercise of warrants is by default subject to continuing employment with the Group. The warrants granted are subject to the provisions of the Danish Public Companies Act regarding termination of employees prior to their exercise of warrants in the case of recipients who are subject to the act.

Note 30

Share-based payment – continued

Warrant overview – 2020	Outstanding as of January 1	Adjustment rights issue	Additions	Exercised	Annulled	Terminated	Outstanding as of December 31	Can be exercised as of December 31	Average exercise price (DKK)
August 2014	118,500	31,295	-	(149,795)	-	-	-	-	
December 2015	293,630	77,059	-	-	(1,800)	(368,889)	-	-	
December 2016	366,690	94,188	-	-	(16,320)	-	444,558	444,558	206
July 2017	26,955	7,119	-	-	-	-	34,074	34,074	340
November 2017	296,808	77,031	-	-	(11,312)	-	362,527	-	240
November 2018	462,835	118,503	-	-	(27,272)	-	554,066	-	142
November 2019	564,585	146,863	-	-	(23,981)	-	687,467	-	146
January 2020	-	6,276	23,763	-	-	-	30,039	-	156
November 2020	-	-	1,280,258	-	-	-	1,280,258	-	207
Total	**2,130,003**	**558,334**	**1,304,021**	**(149,795)**	**(80,685)**	**(368,889)**	**3,392,989**	**478,632**	

Warrant overview – 2020	Outstanding as of January 1	Adjustment rights issue	Additions	Exercised	Annulled	Terminated	Transferred	Outstanding as of December 31
Corporate Management	340,791	90,006	123,645	(63,205)	-	(51,835)	-	439,402
Other Executive Management	326,333	92,460	318,438	-	-	(13,905)	-	723,326
Other employees	1,284,437	329,937	861,938	(86,590)	(80,685)	(206,797)	(39,880)	2,062,360
Resigned employees	178,442	45,931	-	-	-	(96,352)	39,880	167,901
Total	**2,130,003**	**558,334**	**1,304,021**	**(149,795)**	**(80,685)**	**(368,889)**	**-**	**3,392,989**
Weighted average exercise price (DKK)	**239**		**207**	**104**	**187**	**290**	**-**	**188**
Weighted average share price at exercise (DKK)				**207**				

Number of warrants which can be exercised as of December 31, 2020	478,632
at a weighted average exercise price of DKK	215

Note 30

Share-based payment – continued

Warrant overview – 2019	Outstanding as of January 1	Additions	Exercised	Annulled	Terminated	Transferred	Outstanding as of December 31
Corporate Management	262,590	78,201	-	-	-	-	340,791
Other Executive Management	221,172	105,161	-	-	-	-	326,333
Other employees	1,065,467	381,223	(18,500)	(143,753)	-	-	1,284,437
Resigned employees	288,442	-	(60,000)	-	(50,000)	-	178,442
Total	**1,837,671**	**564,585**	**(78,500)**	**(143,753)**	**(50,000)**	**-**	**2,130,003**
Weighted average exercise price (DKK)	**248**	**185**	**131**	**242**	**131**	**-**	**239**
Weighted average share price at exercise (DKK)			**175**				
Number of warrants which can be exercised as of December 31, 2019							412,130
at a weighted average exercise price of DKK							299

Specification of parameters for Black-Scholes model	Dec. 2016	Jul. 2017	Nov. 2017	Nov. 2018	Nov. 2019	Jan. 2020	Nov. 2020
Average share price	222.50	383.50	259.50	159.00	154.05	171.20	179.84
Average exercise price at grant	260.20	430.40	303.00	179.60	185.40	197.00	206.82
Average exercise price determined at date of rights issue March 30, 2020	205.80	340.40	239.60	142.00	146.60	155.80	-
Applied volatility rate	44.6%	44.1%	52.4%	53.3%	52.2%	53.0%	39.8%
Expected life (years)	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Expected dividend per share	-	-	-	-	-	-	-
Risk-free interest rate p.a.	-0.48%	-0.46%	-0.55%	-0.43%	-0.69%	-0.65%	-0.66%
Fair value at grant [1)]	54	98	80	52	45	53	41

[1)] Fair value of each warrant at grant date applying the Black-Scholes model.

The applied volatility is based on the historical volatility of the Bavarian Nordic share, except for November 2020 program where the volatility is based on the volatility for a peer group.

Recognized costs in 2020 DKK 23.3 million compared to DKK 21.4 million in 2019.

Note 30

Share-based payment – continued

Exercise periods	**Can be exercised wholly or partly in a period of 14 days commencing from the day of publication of:**			
November 2020	Annual Report 2023	Interim Report Q1 2024	Interim Report Q2 2024	Interim Report Q3 2024
	Annual Report 2024	Interim Report Q1 2025	Interim Report Q2 2025	Interim Report Q3 2025
January 2020	Annual Report 2022	Interim Report Q1 2023	Interim Report Q2 2023	Interim Report Q3 2023
	Annual Report 2023	Interim Report Q1 2024	Interim Report Q2 2024	Interim Report Q3 2024
November 2019	Annual Report 2023	Interim Report Q1 2023	Interim Report Q2 2023	Interim Report Q3 2023
	Annual Report 2023	Interim Report Q1 2024	Interim Report Q2 2024	Interim Report Q3 2024
November 2018	Annual Report 2021	Interim Report Q1 2022	Interim Report Q2 2022	Interim Report Q3 2022
	Annual Report 2022	Interim Report Q1 2023	Interim Report Q2 2023	Interim Report Q3 2023
November 2017	Annual Report 2020	Interim Report Q1 2021	Interim Report Q2 2021	Interim Report Q3 2021
	Annual Report 2021	Interim Report Q1 2022	Interim Report Q2 2022	Interim Report Q3 2022
July 2017	Interim Report Q2 2020	Interim Report Q3 2020	Annual Report 2020	Interim Report Q1 2021
	Interim Report Q2 2021	Interim Report Q3 2021	Annual Report 2021	Interim Report Q1 2022
December 2016	Annual Report 2019	Interim Report Q1 2020	Interim Report Q2 2020	Interim Report Q3 2020
	Annual Report 2020	Interim Report Q1 2021	Interim Report Q2 2021	Interim Report Q3 2021

Note 30

Share-based payment – continued

Phantom shares

In 2016, the Company established a three-year phantom share program for all employees of the Group except for management and other employees receiving warrants. The employees receive up to four phantom shares per month free of charge during the period from January 1, 2017 to December 31, 2019. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares. The program expired without exercise in January 2020.

In 2017, the Company established a three-year phantom share program for all employees of the Group except for management and other employees receiving warrants. The employees receive up to four phantom shares per month free of charge during the period from January 1, 2018 to December 31, 2020. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares. Following the rights issues in March 2020 the monthly grant increased to five phantom shares for the remaining grant period and the maximum increased to 182 phantom shares.

In 2018, the Company established a three-year phantom share program for all employees of the Group except for management and other employees receiving warrants. The employees receive up to four phantom shares per month free of charge during the period from January 1, 2019 to December 31, 2021. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares. Following the rights issues in March 2020 the monthly grant increased to five phantom shares for the remaining grant period and the maximum increased to 183 phantom shares.

In 2019, the Company established a three-year phantom share program for all employees of the Group except for management and other employees receiving warrants. The employees receive up to four phantom shares per month free of charge during the period from January 1, 2020 to December 31, 2022. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares. Following the rights issues in March 2020 the monthly grant increased to five phantom shares for the remaining grant period and the maximum increased to 183 phantom shares.

In 2020, the Company established a three-year phantom share program for all employees of the Group except for management and other employees receiving warrants. The employees receive up to five phantom shares per month free of charge during the period from January 1, 2021 to December 31, 2023. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 180 phantom shares.

Grants are made on a monthly basis during the life of the programs as long as the employee is employed with the Group.

On expiry of the programs, the employees may exercise the phantom shares granted to them and thus be entitled to a cash bonus calculated on the basis of the increase in the price of the Company´s shares. The exercise is conditional on the price of the Company´s shares being at least DKK 5 higher than the exercise price at the time of exercise.

On expiry of the programs, former employees are entitled to settlement of the phantom shares granted during their term of employment.

Note 30

Share-based payment – continued

2020-2022 phantom share program	2020
Outstanding as of January 1	-
Granted during the year	29,554
Adjustment following rights issue March 2020	1,367
Outstanding phantom shares as of December 31	**30,921**
Liability in DKK thousand as of December 31	**1,864**

Specification of parameters for Black-Scholes model	
Share price December 31	187
Average share exercise price	147
Expected volatility rate	40%
Expected life (years)	2.0
Expected dividend per share	-
Risk-free interest rate p.a.	-0.17%

The expected volatility for 2020 is based on the volatility for a peer group.

The expense in respect of phantom shares granted in 2020 provided a cost of DKK 1.9 million.

The liability is included in other liabilities, cf. note 23.

2019-2021 phantom share program	2020	2019
Outstanding as of January 1	19,213	-
Granted during the year	29,437	19,213
Adjustment following rights issue March 2020	6,445	-
Outstanding phantom shares as of December 31	**55,095**	**19,213**
Liability in DKK thousand as of December 31	**2,985**	**864**

Specification of parameters for Black-Scholes model		
Share price December 31	187	171
Average share exercise price	142	180
Expected volatility rate	40%	51%
Expected life (years)	1.0	2.0
Expected dividend per share	-	-
Risk-free interest rate p.a.	-0.15%	-0.17%

The expected volatility for 2020 is based on the volatility for a peer group, whereas the volatility for prior year is based on the historic volatility of the Company.

Phantom shares granted in 2020 provided an expense of DKK 1.9 million, whereas the revaluation of previously granted phantom shares provided an expense of DKK 0.2 million, total net expense of DKK 2.1 million (net expense 2019: DKK 0.9 million).

The liability is included in other liabilities, cf. note 23.

Note 30

Share-based payment – continued

2018-2020 phantom share program	2020	2019	2018
Outstanding as of January 1	36,769	17,644	-
Granted during the year	29,376	19,125	17,644
Adjustment following rights issue March 2020	11,082	-	-
Outstanding phantom shares as of December 31	**77,227**	**36,769**	**17,644**
Liability in DKK thousand as of December 31	**-**	**271**	**145**
Specification of parameters for Black-Scholes model			
Share price December 31	187	171	127
Average share exercise price	240	303	303
Expected volatility rate	40%	51%	52%
Expected life (years)	-	1.0	2.0
Expected dividend per share	-	-	-
Risk-free interest rate p.a.	-	-0.21%	0.02%

2017-2019 phantom share program	2020	2019	2018	2017
Outstanding as of January 1	54,857	35,772	18,234	-
Granted during the year	-	19,085	17,538	18,234
Expired during the year	(54,857)	-	-	-
Outstanding phantom shares as of December 31	**-**	**54,857**	**35,772**	**18,234**
Liability in DKK thousand as of December 31		**-**	**130**	**953**
Specification of parameters for Black-Scholes model				
Share price December 31		171	127	224
Average share exercise price		260	260	260
Expected volatility rate		51%	52%	52%
Expected life (years)		-	1.0	2.0
Expected dividend per share		-	-	-
Risk-free interest rate p.a.		-0.30%	-0.07%	0.05%

The expected volatility for 2020 is based on the volatility for a peer group, whereas the volatility for prior years is based on the historic volatility of the Company.

Phantom shares granted in 2020 provided an expense of DKK 0.0 million, whereas the revaluation of previously granted phantom shares provided an income of DKK 0.3 million, total net income of DKK 0.3 million (net expense 2019: DKK 0.1 million).

The liability is included in other liabilities, cf. note 23.

The 2018-2020 program will exercise in January 2021 if the average share price for the period December 30, 2020 - January 14, 2021 will exceed the exercise price of DKK 239.70. Otherwise the program will expire without exercise.

The expected volatility is based on the historic volatility.

The 2017-2019 program expired in January 2020 without exercise as the actual share price was below the exercise price of DKK 260.20.

Reversal of the phantom share program provided an income of DKK 0.0 million (net income 2019: DKK 0.1 million).

Note 30

Share-based payment – continued

Outstanding restricted stock units 2020

	Outstanding as of January 1	Adjustment rights issue	Granted during the year	Released during the year	Outstanding as of December 31	Value at grant date (DKK)	Vesting date
Executive Management:							
Conversion of cash bonus for 2019	-	2,298	8,705	-	11,003	240	Mar. 2023
Matching shares - bonus 2019	-	1,147	4,353	-	5,500	240	Mar. 2023
Sign-on bonus CMO	-	-	8,651	-	8,651	149	May 2023
Matching shares - sign-on CMO	-	-	4,325	-	4,325	149	May 2023
Conversion of cash bonus for 2018	12,722	3,358	-	-	16,080	144	Mar. 2022
Matching shares - bonus 2018	6,362	1,677	-	-	8,039	144	Mar. 2022
Sign-on bonus CFO	6,767	1,787	-	-	8,554	156	Nov. 2021
Matching shares - sign-on CFO	3,383	894	-	-	4,277	156	Nov. 2021
Conversion of cash bonus for 2017	6,910	1,824	-	-	8,734	244	Mar. 2021
Matching shares - bonus 2017	3,456	910	-	-	4,366	244	Mar. 2021
Conversion of cash bonus for 2016	5,642	-	-	(5,642)	-	292	Mar. 2020
Matching shares - bonus 2016	2,821	-	-	(2,821)	-	292	Mar. 2020
Executive Management	**48,063**	**13,895**	**26,034**	**(8,463)**	**79,529**		
Board of Directors:							
Fee 2020	-	-	7,111	-	7,111	190	Jun. 2023
Fee 2019	9,765	2,575	-	-	12,340	138	Apr. 2022
Fee 2018	6,857	1,809	-	-	8,666	175	Apr. 2021
Fee 2017	3,693	973	-	(4,666)	-	365	Apr. 2020
Board of Directors	**20,315**	**5,357**	**7,111**	**(4,666)**	**28,117**		
Total	**68,378**	**19,252**	**33,145**	**(13,129)**	**107,646**		

Restricted stock units

In March 2020, the Board of Directors decided to postpone the payment of half of the achieved cash bonus for members of the Other Executive Management for 3 years, converting the postponed bonus of DKK 2.1 million into 8,705 unconditional restricted stock units using the share price of the Company at grant date (DKK 240). The Board of Directors decided to grant additional restricted stock units free of charge on expiry of a 3 years period (so-called "matching shares") upon the recipient still being employed in March 2023. One matching share is granted for each two acquired restricted stock units. The maximum number of matching shares is 4,353. The initial granted restricted stock units and the potential matching shares total 13,058 shares.

At the annual general meeting in June 2020, the Board of Directors were granted a total of 7,111 unconditional restricted stock units corresponding to 50% of the annual fixed fee of DKK 1.4 million (excl. committee fee). The restricted stock units will be delivered after 3 years in June 2023.

As sign-on bonus the new CMO was granted a total of 8,651 unconditional restricted stock units in May 2020 and 4,325 additional restricted stock units on expiry of a 3 years period ("matching shares") upon the CMO still being employed in May 2023.

Note 30

Share-based payment – continued

In August/September 2020, the Company bought back 52,397 of its own shares to meet the obligation to deliver up to 33,145 shares to the members of the Executive Management and the Board of Directors in March/May/June 2023. The purchase of own shares also captured the adjustment to previous granted restricted stock units following the rights issue, 19,252 shares.

The grant of the initial restricted stock units to the Executive Management (8,705 shares) had no impact on the income statement for 2020, as the corresponding cash bonus (DKK 2.1 million) was accrued in 2019, though the amount has been reclassified from "Salary and wages" to "Share-based payment" in the staff cost note (note 8). The obligation related to the matching shares amount to DKK 1.0 million measured at the same fair value as the initial restricted stock units (DKK 240). The obligation will be expensed over the three year vesting period. The sign-on bonus to the new CMO was expensed by DKK 1.3 million. During 2020, DKK 4.6 million has been expensed and recognized as share-based payment for Executive Management (incl. grants of matching shares for prior years). The grant of restricted stock units to the Board of Directors (7,111 shares - DKK 1.4 million) were fully expensed at grant.

Outstanding restricted stock units **2019**

	Outstanding as of January 1	Granted during the year	Released during the year	Outstanding as of December 31	Value at grant date (DKK)	Vesting date
Executive Management:						
Conversion of cash bonus for 2018 incl. matching shares	-	19,084	-	19,084	144	Mar. 2021
Sign-on bonus CFO incl. matching shares	10,150	-	-	10,150	156	Nov. 2021
Conversion of cash bonus for 2017 incl. matching shares	10,366	-	-	10,366	244	Mar. 2021
Conversion of cash bonus for 2016 incl. matching shares	8,463	-	-	8,463	292	Mar. 2020
Conversion of cash bonus for 2015 incl. matching shares	11,144	-	(11,144)	-	270	Mar. 2019
Executive Management	**40,123**	**19,084**	**(11,144)**	**48,063**		
Board of Directors:						
Fee 2019	-	9,765	-	9,765	138	Apr. 2022
Fee 2018	6,857	-	-	6,857	175	Apr. 2021
Fee 2017	3,693	-	-	3,693	365	Apr. 2020
Board of Directors	**10,550**	**9,765**	**-**	**20,315**		
Total	**50,673**	**28,849**	**(11,144)**	**68,378**		

Note 30

Share-based payment – continued

Total share-based payments
Below a specification of all share-based payments expensed in 2020 and 2019. The amounts reconcile to note 8.

DKK thousand	2020	2019
Warrants	23,336	21,437
Restricted stock units	5,948	4,152
Share-based payment recognized directly in equity	**29,284**	**25,589**
2020-2022 phantom share program	1,864	-
2019-2021 phantom share program	2,121	864
2018-2020 phantom share program	(271)	126
2017-2019 phantom share program	-	(130)
Share-based payment recognized as a liability (change during the year)	3,714	860
Total share-based payment expensed	**32,998**	**26,449**

Note 31

Contingent liabilities and other contractual obligations

DKK thousand	2020	2019
Collaborative agreements		
Contractual obligations with research partners for long-term research projects.		
– Due within 1 year	45,052	36,884
Other contractual obligations		
– Due within 1 year	17,769	14,088
– Due between 1 and 5 years	12,604	9,615

Sales milestone to GlaxoSmithKline
The Asset Purchase Agreement with GlaxoSmithKline regarding the acquisition of the product rights to Rabipur/RabAvert and Encepur includes a sales milestone of EUR 25 million. As per December 31, 2019 Management does not judge the sales milestone to be probable and therefore the sales milestone has not been recognized as either part of the product rights (note 16) nor the deferred consideration for product rights (note 25).

License and collaboration agreement AdaptVac
Under the license and collaboration agreement with AdaptVac the Company has an obligation of payment of potential future development and sales milestones and tiered royalties.

License agreements National Cancer Institute
The Group has license agreements with the National Cancer Institute (NCI) and Public Health Service (PHS) in the U.S. for PROSTVAC, CV301 and BN-Brachyury, respectively. The agreements include contingent liabilities for the Group to pay performance-based royalties, if and when certain milestone events are achieved. Further, the agreements include potential contingent liabilities for the Group to pay additional sublicensing royalties on the fair market value of consideration received, if and when the Group grants such sublicenses.

Company mortgage
The Company has by letter of indemnity granted Nordea a floating charge on unsecured claims arising from the sale of goods and services and stocks of raw materials, intermediate products and finished products, DKK 150 million (DKK 150 million). The floating charge secures the operating credit line of DKK 20 million and the line for trading in financial instruments, DKK 50 million (DKK 50 million).

Lawsuits
Based on management's assessment the Group is not involved in any lawsuits or arbitration cases which could have a material impact on the Group's financial position or results of operations.

Note 32

Significant events after the balance sheet date

On January 5, 2021, the Company announced that sales contracts with three European governments for the supply of IMVANEX® smallpox vaccine have been concluded. The combined value of the contracts is EUR 11 million and will be revenue recognized during first half of 2021, where deliveries are expected to occur.

On March 8, 2021, the Company announced preclinical data for the capsid virus like particle (cVLP) COVID-19 vaccine candidate, ABNCoV2, licensed from AdaptVac. The data confirmed the previous strong immunogenicity results already published, and demonstrated a protective efficacy from vaccination post-challenge with SARS-CoV-2.

On March 10, 2021 the Company announced the completion of a directed issue and private placement of 5,150,000 new shares at an offer price of DKK 223 per share, raising gross proceeds of DKK 1,148 million.

Except as noted above, there have been no significant events between December 31, 2020 and the date of approval of these financial statements that would require a change to or additional disclosure in the financial statements.

Note 33

Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and Corporate Management and authorized for issue on March 12, 2021.

CONTENTS

Income Statements

For the years ended December 31, 2020 and 2019

DKK thousand	Note	2020	2019
Revenue	2	1,883,483	661,056
Production costs	4,5	1,174,546	355,212
Gross profit		**708,937**	**305,844**
Sales and distribution costs	4	267,112	54,121
Research and development costs	3,4,5	363,459	420,426
Administrative costs	4,5	288,877	224,729
Total operating costs		**919,448**	**699,276**
Other operating income		**627,647**	**-**
Income before interest and tax (EBIT)		**417,136**	**(393,432)**
Income from investments in subsidiaries	12	15,236	8,955
Financial income	6	119,665	49,529
Financial expenses	7	275,043	95,200
Income before company tax		**276,994**	**(430,148)**
Tax on income for the year	8	-	-
Net profit for the year	20	**276,994**	**(430,148)**

Notes with reference to the consolidated financial statements	Note
Revenue	3
Production costs	4
Sales and distribution costs	5
Administrative costs	7
Other operating income	11

Statements of Financial Position – Assets

December 31, 2020 and 2019

DKK thousand	Note	2020	2019
Non-current assets			
Product rights		5,185,765	5,458,700
Acquired patents and licenses		29,813	-
Software		17,475	22,336
Other intangible assets in progress		55,194	2,868
Intangible assets	9	**5,288,247**	**5,483,904**
Land and buildings		365,704	161,879
Leasehold improvements		1,629	-
Plant and machinery		204,665	44,265
Other fixtures and fittings, other plant and equipment		213,726	12,067
Assets under construction		204,702	614,566
Property, plant and equipment	10	**990,426**	**832,777**
Right-of-use assets	11	**35,516**	**19,251**
Investments in subsidiaries	12	144,004	129,415
Other receivables		3,879	1,184
Financial assets		**147,883**	**130,599**
Total non-current assets		**6,462,072**	**6,466,531**

DKK thousand	Note	2020	2019
Current assets			
Inventories	13	**503,768**	**100,072**
Trade receivables		27,866	35,465
Receivables from subsidiaries		104,944	116
Other receivables		36,441	27,660
Prepayments		12,474	8,810
Receivables		**181,725**	**72,051**
Securities		1,384,120	174,819
Cash and cash equivalents		263,686	287,398
Securities, cash and cash equivalents		**1,647,806**	**462,217**
Total current assets		**2,333,299**	**634,340**
Total assets		**8,795,371**	**7,100,871**

Statement of Financial Position – Equity and Liabilities

December 31, 2020 and 2019

DKK thousand	Note	2020	2019
Equity			
Share capital		584,501	323,891
Treasury shares		(1,077)	(684)
Retained earnings		4,210,337	1,421,739
Reserve for development costs		13,157	15,366
Other reserves		87,916	102,506
Equity		**4,894,834**	**1,862,818**
Liabilities			
Deferred consideration for product rights		2,464,932	2,691,400
Credit institutions		393,269	395,443
Lease liabilities	14	25,858	13,844
Non-current liabilities		**2,884,059**	**3,100,687**
Deferred consideration for product rights		357,736	459,730
Credit institutions		2,173	1,375,116
Lease liabilities	14	11,356	5,658
Prepayment from customers	15	74,347	6,631
Trade payables		322,264	103,460
Payables to subsidiaries		137,018	118,602
Other liabilities	16	111,584	68,169
Current liabilities		**1,016,478**	**2,137,366**
Total liabilities		**3,900,537**	**5,238,053**
Total equity and liabilities		**8,795,371**	**7,100,871**

Statements of Changes in Equity

December 31, 2020

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserve for development costs	Other reserves	Equity
Equity as of January 1, 2020	323,891	(684)	1,421,739	15,366	102,506	1,862,818
Net profit for the year	-	-	276,994	-	-	276,994
Exchange rate adjustments	-	-	(648)	-	-	(648)
Change in fair value of financial instruments entered into to hedge future cash flows	-	-	-	-	(3,096)	(3,096)
Share-based payment	-	-	-	-	29,283	29,283
Warrant program exercised	1,498	-	17,514	-	(3,448)	15,564
Warrant recharged	-	-	1,212	-	-	1,212
Warrant program expired	-	-	33,563	-	(33,563)	-
Capital increase through rights issue	259,112	-	2,565,214	-	-	2,824,326
Costs related to issue of new shares	-	-	(103,184)	-	-	(103,184)
Purchase of treasury shares	-	(524)	(10,575)	-	-	(11,099)
Transfer regarding restricted stock units	-	131	3,635	-	(3,766)	-
Sale of preemptive rights - treasury shares	-	-	2,664	-	-	2,664
Reserve for development costs	-	-	2,209	(2,209)	-	-
Equity as of December 31, 2020	**584,501**	**(1,077)**	**4,210,337**	**13,157**	**87,916**	**4,894,834**

Transactions on the share capital and rules on changing Articles of Associations, see statement of changes in Group equity.

Other reserves consist of costs for share-based payments and hedging reserves.

Note 1

Significant accounting policies and significant accounting estimates and judgments

§ Accounting policies

The financial statements of the Parent Company Bavarian Nordic A/S have been prepared in accordance with the Danish Financial Statements Act (Class D).

The financial statements are presented in Danish kroner (DKK), which also is the functional currency of the Parent Company. The accounting policies are unchanged from previous year.

Changes in accounting policies
The accounting policies are unchanged from last year.

Supplementary accounting policies for the Parent Company
Accounting policies for investments in subsidiaries are described in note 12.

Pursuant to the schedule requirements of the Danish Financial Statements Act, entries recognized in the statement of comprehensive income in the consolidated financial statements are recognized directly in the statement of changes in equity in the Parent Company's financial statements.

Warrant recharged to subsidiaries is treated as the Parent Company's issuance of equity in exchange for cash.

The recharge is subsequently recognized in the income statement under the cost plus agreements with the subsidiaries. Income tax effects relating to warrant recharged is recognized in the income statement.

As allowed under section 86 (4) of the Danish Financial Statements Act, no cash flow statement has been prepared for the Parent Company, as it is included in the consolidated cash flow statement.

! Significant accounting estimates and judgments

In preparation of the financial statements for the Parent Company, Management makes a number of accounting estimates which form the basis for the preparation, recognition and measurement of the Company's assets and liabilities.

Management has made the following accounting estimates which significantly affect the amounts recognized in the financial statements:

- Investments in subsidiaries (note 12)
- Receivables from subsidiaries (note12)

Please refer to the specific note for further description of the significant accounting estimates and assumptions used.

Note 2

Revenue

DKK thousand	2020	2019
MVA-BN smallpox vaccine sale	540,769	324,258
Rabipur/RabAvert	659,022	-
Encepur	455,012	-
Sale of goods	**1,654,803**	**324,258**
Milestone Payments	66,553	-
Contract work	162,127	336,798
Sale of services	**228,680**	**336,798**
Revenue	**1,883,483**	**661,056**

Total revenue includes:		
Fair value adjustment concerning financial instruments entered into to hedge revenue	13,146	(13,006)

The Group's sale of RabAvert in US is handled and recognized in Bavarian Nordic, Inc. as from August 1, 2020. Up until then the sale was handled by GlaxoSmithKline. Bavarian Nordic Inc. operates under a distribution agreement and purchase the products from Bavarian Nordic A/S. The internal sale for the period August 1 – December 31, 2020 exceeded Bavarian Nordic, Inc.'s sale to customers by DKK 31.3 million, hence the RabAvert revenue recognized in the Parent Company is higher than the RabAvert revenue recognized in the Group.

The contract with the United States Department of Defense for the development of a prophylactic vaccine against the equine encephalitis virus is concluded with Bavarian Nordic, Inc., whereas all costs related to the contract are covered by Bavarian Nordic A/S. Bavarian Nordic A/S re-invoice those costs to Bavarian Nordic, Inc. Net Bavarian Nordic, Inc. earns a mark-up, reducing the contract work revenue in the Parent Company compared to the contract work revenue in the Group.

For further disclosures see the consolidated financial statements note 3.

Accounting policies and significant accounting estimates
See consolidated financial statements note 3.

Note 3

Research and development costs

DKK thousand	2020	2019
Research and development costs incurred this year	467,456	639,362
Of which:		
Contract costs recognized as production costs	(103,997)	(218,936)
Research and development costs recognized in the income statement	**363,459**	**420,426**

Write-down of the CV301 development project was included by DKK 68.3 million in 2019.

Accounting policies
See consolidated financial statements note 6.

Note 4

Staff costs

DKK thousand	2020	2019
Wages and salaries	293,496	213,359
Contribution based pension	25,970	18,632
Social security expenses	2,459	2,041
Other staff expenses	24,283	21,982
Share-based payment	32,074	26,194
Staff costs	**378,282**	**282,208**
Staff expenses are distributed as follows:		
Production costs	195,337	147,763
Sales and distribution costs	17,397	17,027
Research and development costs	48,272	39,005
Administrative costs	98,367	78,413
Capitalized salaries	18,909	-
Staff costs	**378,282**	**282,208**
Average number of employees converted to full-time	408	298
Number of employees as of December 31 converted to full-time	475	324

DKK thousand	2020	2019
Staff costs include the following costs:		
Board of Directors:		
Remuneration	3,825	3,883
Share-based payment	1,350	1,350
Remuneration to Board of Directors	**5,175**	**5,233**
Executive Management:		
Salary	5,186	5,061
Paid bonus	2,540	869
Other employee benefits	576	649
Contribution based pension	-	-
Share-based payment	4,011	5,483
Corporate Management	**12,313**	**12,062**
Salary	9,288	8,126
Paid bonus	2,089	960
Other employee benefits	465	484
Contribution based pension	1,114	827
Share-based payment	8,557	6,316
Other Executive Management	**21,513**	**16,713**
Remuneration to Executive Management	**33,826**	**28,775**
Total management remuneration	**39,001**	**34,008**

Note 4

Staff costs – continued

CEO and President of the Company Paul Chaplin constituted the Corporate Management in 2020. As from February 2021 CFO Henrik Juuel also constitutes part of the Corporate Management.

For 2020 CFO Henrik Juuel, COO Henrik Birk, CPO Anu Kerns and CBO Tommi Kainu constituted the Company's member of the Other Executive Management.

Incentive programs for management and other employees are disclosed in the consolidated financial statements note 30.

The CEO's contract of employment contains standard terms for members of the management of Danish listed companies, including the extended period of notice that both parties are required to give. For the Company, the notice is maximum 18 months. In the event of a change of control, the term of notice for the Company will be extended to maximum 24 months.

Accounting policies
See consolidated financial statements note 8.

Note 5

Depreciation, amortization and impairment losses

DKK thousand	2020	2019
Depreciation and amortization included in:		
Production costs	310,784	31,132
Research and development costs	1,400	955
Administrative costs	20,547	14,543
Depreciation and amortization	**332,731**	**46,630**
Hereof profit ()/loss from disposed fixed assets	3,149	-
Impairment losses included in:		
Production costs	16,066	-
Impairment losses	**16,066**	**-**

For further disclosures see the consolidated financial statements note 9.

Note 6

Financial income

DKK thousand	2020	2019
Financial income from bank and deposit contracts	193	602
Financial income from subsidiaries	21,743	24,192
Financial income from securities	8,756	16,435
Fair value adjustments on securities	6,783	-
Adjustment of deferred consideration due to change in estimated timing of payments	67,719	-
Currency adjustment deferred consideration	11,900	-
Net gain on derivative financial instruments at fair value in the income statement	2,571	5,502
Net foreign exchange gains	-	2,798
Financial income	**119,665**	**49,529**

Accounting policies
See consolidated financial statements note 12.

Note 7

Financial expenses

DKK thousand	2020	2019
Interest expenses on debt	30,741	17,211
Financial expenses to subsidiaries	2,274	1,942
Fair value adjustments on securities	-	15,331
Unwinding of the discount related to deferred consideration	145,149	-
Net foreign exchange losses	62,558	-
Write-down of receivables from subsidiaries, cf. note 12	34,321	60,716
Financial expenses	**275,043**	**95,200**

Accounting policies
See consolidated financial statements note 13.

The deferred consideration for product rights is measured at net present value and the difference between the net present value and the amounts due is recognized in the income statement as a financial expense over the period until expected payment date using the effective interest method.

Note 8

Tax for the year

DKK thousand	2020	2019
Tax recognized in the income statement		
Tax for the year recognized in the income statement	**-**	**-**
Tax on income for the year is explained as follows:		
Income before company tax	276,994	(430,148)
Calculated tax (22.0%) on income before company tax	60,939	(94,633)
Tax effect on:		
Income from investments in subsidiaries	(3,352)	(1,970)
Write-down of receivables from subsidiaries - not deductable for tax purposes	7,551	-
Income()/expenses that are not taxable/deductible for tax purposes	(10,648)	13,412
Write-down of tax assets	(54,490)	83,191
Tax on income for the year	**-**	**-**
Tax recognized in equity		
Tax for the year recognized in equity	**-**	**-**

DKK thousand	January 1, 2020	Recognized in the income statement	Recognized in equity	December 31, 2020
Product rights	-	(94,360)	-	(94,360)
Other intangible assets	2,040	(1,663)	-	377
Property, plant and equipment	22,593	15,749	-	38,342
Right-of-use-asset	55	318	-	373
Development projects for sale	32,446	-	-	32,446
Accrued project costs	(790)	609	-	(181)
Receivables	-	18	-	18
Provisions	-	17,930	-	17,930
Financial instruments	(503)	-	681	178
Share-based payment	8,573	6,824	-	15,397
Tax losses carried forward	362,036	85	-	362,121
Not recognized tax asset	(426,450)	54,490	(681)	(372,641)
Recognized deferred tax assets	**-**	**-**	**-**	**-**

Accounting policies
See consolidated financial statements note 14.

Deferred tax
Recognized deferred tax assets relate to temporary differences between valuations for accounting and taxation purposes and tax losses carried forward.

For further disclosures see the consolidated financial statements note 14.

Note 9

Intangible assets

					2020
DKK thousand	**Product rights**	**Acquired patents and licenses**	**Software**	**Other intangible assets in progress**	**Total**
Costs as of January 1, 2020	5,458,700	-	98,687	2,868	5,560,255
Additions	-	29,813	2,991	54,691	87,495
Transfer	-	-	2,365	(2,365)	-
Disposal	-	-	(18,962)	-	(18,962)
Cost as of December 31, 2020	**5,458,700**	**29,813**	**85,081**	**55,194**	**5,628,788**
Amortization as of January 1, 2020	-	-	76,351	-	76,351
Amortization	272,935	-	9,421	-	282,356
Disposals	-	-	(18,166)	-	(18,166)
Amortization as of December 31, 2020	**272,935**	**-**	**67,606**	**-**	**340,541**
Carrying amount as of December 31, 2020	**5,185,765**	**29,813**	**17,475**	**55,194**	**5,288,247**
Carrying amount as of December 31, 2019	**5,458,700**	**-**	**22,336**	**2,868**	**5,483,904**

Accounting policies

See consolidated financial statements note 16.

Note 10

Property, plant and equipment

DKK thousand	Land and buildings	Leasehold improve-ment	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
						2020
Costs as of January 1, 2020	321,503	2,702	301,174	42,658	614,566	1,282,603
Additions	26,222	1,331	657	10,902	173,342	212,454
Transfer	201,776	343	185,345	195,742	(583,206)	-
Disposals	(2,390)	-	(2,152)	(6,443)	-	(10,985)
Cost as of December 31, 2020	**547,111**	**4,376**	**485,024**	**242,859**	**204,702**	**1,484,072**
Depreciation and impairment losses as of January 1, 2020	159,624	2,702	256,909	30,591	-	449,826
Depreciation	17,538	45	14,013	4,785	-	36,381
Impairment losses	5,354	-	10,712	-	-	16,066
Disposals	(1,109)	-	(1,275)	(6,243)	-	(8,627)
Depreciation and impairment losses as of December 31, 2020	**181,407**	**2,747**	**280,359**	**29,133**	**-**	**493,646**
Carrying amount as of December 31, 2020	**365,704**	**1,629**	**204,665**	**213,726**	**204,702**	**990,426**
Carrying amount as of December 31, 2019	**161,879**	**-**	**44,265**	**12,067**	**614,566**	**832,777**

For collateral see the consolidated financial statements note 17.

Accounting policies
See consolidated financial statements note 17.

Note 11

Right-of-use-assets

				2020
DKK thousand	Rent facility	Car leasing	Equipment	Total
Right-of-use assets as of January 1, 2020	17,531	1,417	303	19,251
Additions	24,215	619	542	25,376
Modifications	1,303	432	(1)	1,734
Depreciations	(9,332)	(1,184)	(329)	(10,845)
Right-of-use assets as of December 31, 2020	**33,717**	**1,284**	**515**	**35,516**

				2019
DKK thousand	Rent facility	Car leasing	Equipment	Total
Impact from applying IFRS 16 as of January 1, 2019	21,070	1,493	545	23,108
Additions	-	929	-	929
Modifications	688	292	-	980
Depreciations	(4,227)	(1,297)	(242)	(5,766)
Right-of-use assets as of December 31, 2019	**17,531**	**1,417**	**303**	**19,251**

Amounts included in the income statement

DKK thousand	2020	2019
Interest expense leases	875	525
Depreciation recognized on right-of-use assets	10,845	5,766
Cost recognized for short term leases (less than 12 months)	1,865	267

Accounting policies

See consolidated financial statements note 18.

Note 12

Investment in subsidiaries

	2020	
DKK thousand	**Investments in subsidiaries**	**Receivables from subsidiaries**
Costs as of January 1, 2020	186,953	442,552
Additions	-	74,898
Exchange rate adjustments	-	(40,577)
Cost as of December 31, 2020	**186,953**	**476,873**
Net revaluation as of January 1, 2020	(57,538)	(442,552)
Net share of profit/loss for the year	15,236	-
Write-down	-	(34,321)
Exchange rate adjustments	(647)	-
Net revaluation as of December 31, 2020	**(42,949)**	**(476,873)**
Carrying amount as of December 31, 2020	**144,004**	**-**
Carrying amount as of December 31, 2019	**129,415**	**-**

Company summary	**Domicile**	**Ownership**	**Voting rights**
Subsidiaries			
Bavarian Nordic GmbH	Germany	100%	100%
Bavarian Nordic, Inc.	USA	100%	100%
Bavarian Nordic Switzerland AG	Switzerland	100%	100%
Aktieselskabet af 1. juni 2011 I	Denmark	100%	100%
Aktieselskabet af 1. juni 2011 II	Denmark	100%	100%

In November 2019, the Company established a company in Switzerland for the purpose of running the future commercial organisation for Rabipur/RabAvert, Encepur and JYNNEOS.

The carrying amount of investments in subsidiaries mainly relates to Bavarian Nordic GmbH (DKK 137.2 million) and the net share of profit from this subsidiary amounts to DKK 12.3 million.

§ Accounting policies

Investments in subsidiaries are recognized and measured under the equity method. This means that, in the balance sheet, investments are measured at the pro rata share of the subsidiaries' equity plus or less unamortized positive, or negative, goodwill and plus or less unrealized intra-group profits or losses.

Subsidiaries with a negative equity value are measured at zero value, and any receivables from these subsidiaries are written down by the Company's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognized under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant subsidiary.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries is transferred to the net revaluation reserve according to the equity method under equity, if the net revaluation is positive. If the net revaluation is negative, it is recognized in retained earnings in equity.

Goodwill is calculated as the difference between cost of the investments and the fair value of the assets and liabilities acquired which have been measured at fair value at the date of acquisition. The amortization period for goodwill is usually five years.

Investments in subsidiaries are written down to the lower of recoverable amount and carrying amount.

Income from investments in subsidiaries' contains pro rata share of subsidiaries profits or losses after elimination of unrealized intra-group profits and losses.

! Significant accounting estimates

As of December 31, 2020, Bavarian Nordic, Inc. had a negative equity of DKK 414 million (DKK 442 million). Following the discontinuation of the PROSPECT study in September 2017, the Parent Company's receivable from Bavarian Nordic, Inc. was fully written-down as Management assessed that there would be no significant cash flows from sale in the coming years. Management maintains this assessment as of December 31, 2020.

Note 13

Inventories

DKK thousand	2020	2019
Raw materials and supply materials	73,037	38,888
Work in progress	201,602	163,513
Manufactured goods and commodities	292,667	1,727
Write-down on inventory	(63,538)	(104,056)
Inventories	**503,768**	**100,072**
Write-down on inventory as of January 1	(104,056)	(107,692)
Write-down for the year	(25,692)	(17,824)
Use of write-down	65,672	7,683
Reversal of write-down	538	13,777
Write-down on inventory as of December 31	**(63,538)**	**(104,056)**
Cost of goods sold amounts to	**566,116**	**87,272**

For further details regarding development in inventory values see consolidated financial statements note 19.

§ Accounting policies and significant accounting estimates

See consolidated financial statements note 19.

Note 14

Lease liabilities

DKK thousand	2020	2019
Non-current	25,858	13,844
Current	11,356	5,658
Lease liabilities	**37,214**	**19,502**

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2020				
Lease liabilities	11,356	25,858	-	37,214
2019				
Lease liabilities	5,658	13,844	-	19,502

§ Accounting policies

See consolidated financial statements note 27.

Note 15

Prepayment from customers

DKK thousand	2020	2019
Prepayment from customers as of January 1	6,631	27,116
Prepayments received during the year	77,185	-
Recognized as income during the year	(9,469)	(20,485)
Prepayment from customers as of December 31	**74,347**	**6,631**

For further details of prepayment from customers, see consolidated financial statements note 28.

Accounting policies
See consolidated financial statements note 28.

Note 16

Other liabilities

DKK thousand	2020	2019
Derivative financial instruments at fair value in the income statement	1,414	1,243
Liability relating to phantom shares	4,849	1,135
Payable salaries, holiday accrual etc.	84,026	49,926
Gross to net deduction accrual	2,502	-
Other accrued costs	18,793	15,865
Other liabilities	**111,584**	**68,169**

For further details of derivative financial instruments, see consolidated financial statements note 24. The phantom share programs are disclosed in the consolidated financial statements note 30.

Accounting policies
See consolidated financial statements note 23.

Note 17

Related party transactions

The Corporate Management and Board of Directors of Bavarian Nordic A/S are considered related parties as they have significant influence over the Company.

Main intercompany transactions:
Bavarian Nordic GmbH provides research and development services to Bavarian Nordic A/S.

Bavarian Nordic, Inc. distributes and sells RabAvert in the US on behalf of Bavarian Nordic A/S. This is done under a Distribution Agreement.

Bavarian Nordic, Inc. provides research and development services to Bavarian Nordic A/S.

Bavarian Nordic, Inc. also provides services to Bavarian Nordic A/S in terms of commercial affair work towards the U.S. Government, with the purpose of ensuring an efficient communication and service to U.S. authorities, in order to maintain existing contracts and explore new product/contract opportunities on the U.S. market.

Bavarian Nordic Switzerland AG provide global commercial services to Bavarian Nordic A/S.

All services except for the distribution agreement are delivered under cost plus agreements and on arms length conditions.

The distribution agreement is honored according to OECD's guidelines for a Limited Risk Distributor.

Apart from intra-group transactions mentioned above and the remuneration of the Board of Directors and Corporate Management, cf. note 8 and note 30 in the consolidated financial statements, there are no transactions with related parties.

Note 18

Contingent liabilities and other contractual obligations

	2020	2019
Collaborative agreements		
Contractual obligations with research partners for long-term research projects.		
– Due within 1 year	42,227	36,884
Other contractual obligations		
– Due within 1 year	17,738	14,026
– Due between 1 and 5 years	12,604	9,584

Repayment obligation
Repayment obligation regarding received prepayments see the consolidated financial statements note 28.

Sales milestone to GlaxoSmithKline
The Asset Purchase Agreement with GlaxoSmithKline regarding the acquisition of the product rights to Rabipur/RabAvert and Encepur includes a sales milestone of EUR 25 million. As per December 31, 2019 Management does not judge the sales milestone to be probable and therefore the sales milestone has not been recognized as either part of the product rights nor the deferred consideration for product rights.

License and collaboration agreement AdaptVac
Under the license and collaboration agreement with AdaptVac the Company has an obligation of payment of potential future development and sales milestones and tiered royalties.

Tax audit
In April 2018 the Danish tax authority ("Skattestyrelsen") notified the Company that Skattestyrelsen was proposing an adjustment of the allocation of the PROSTVAC development costs between Bavarian Nordic A/S and its U.S. subsidiary, Bavarian Nordic, Inc. for the income years 2012-2016. During 2018 and 2019 the Company has been in dialogue with Skattestyrelsen regarding the proposal. On July 1, 2019, Skattestyrelsen decided to withdraw the proposed adjustment. The transfer pricing tax audit for 2012-2016 has thereby been completed without any changes to taxable income.

Incentive agreements, company mortgage and lawsuits
See the consolidated financial statements note 31.

Note 19

Mortgages and collateral

DKK thousand	2020	2019
Guarantees for subsidiaries		
The Parent Company stands surety for a credit facility to a subsidiary of a maximum of	3,330	3,843
The Parent Company stands surety for letter of credit to subsidiaries of a maximum of	2,200	2,689

Bavarian Nordic A/S has signed a guarantee in favor of Bavarian Nordic, Inc.'s landlord in North Carolina. As guarantor Bavarian Nordic A/S guarantees the full and complete payment by Bavarian Nordic, Inc. of the rent and all other sums payable under the lease contract. The rent for the lease period (until August 2022) amounts to DKK 2.0 million (DKK 3.5 million).

Mortgages
See description regarding property, plant and equipment in note 17 in the consolidated financial statements.

Note 20

Proposed appropriation of net profit/(loss)

DKK thousand	2020	2019
Retained earnings	276,994	(430,148)
Total	**276,994**	**(430,148)**

Note 21

Significant events after the balance sheet date

See description in note 32 in the consolidated financial statements.

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Corporate Management have today considered and approved the annual report of Bavarian Nordic A/S for the financial year January 1 – December 31, 2020.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU. The parent financial statements are presented in accordance with the Danish Financial Statements Act. Further, the annual report is prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at December 31, 2020 as well as of the results of their operations and the Group's cash flows for the financial year January 1 – December 31, 2020.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

In our opinion, the annual report with the file name BAVA-2020-12-31.zip is prepared, in all material respects, in accordance with the ESEF Regulation.

We recommend the annual report for adoption at the Annual General Meeting.

Hellerup, March 12, 2021

Corporate Management

Paul John Chaplin
President and Chief Executive Officer

Henrik Juuel
Chief Financial Officer

Board of Directors

Gerard W.M. van Odijk
Chairman of the Board

Anders Gersel Pedersen
Deputy chairman

Erik Gregers Hansen

Peter H. Kürstein-Jensen

Frank A.G.M. Verwiel

Elizabeth McKee Anderson

Anne Louise Eberhard

INDEPENDENT AUDITOR'S REPORTS

TO THE SHAREHOLDERS OF BAVARIAN NORDIC A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Bavarian Nordic A/S for the financial year January 1 – December 31, 2020, which comprise the income statement, statement of financial position, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at December 31, 2020 and of the results of its operations and cash flows for the financial year January 1 – December 31, 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at December 31, 2020 and of the results of its operations for the financial year January 1 – December 31, 2020 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Finance, Risk and Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

After Bavarian Nordic A/S was listed on Nasdaq OMX Copenhagen in 1998, we were appointed auditors at the Annual General Meeting held on May 27, 1999 for the 1999 financial year. We have been reappointed annually at the annual general meeting for a total consecutive engagement period of 22 years up to and including the 2020 financial year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year January 1 – December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management

Key audit matter

Revenue under the BARDA contracts for JYNNEOS

Revenue recognized under the Biomedical Advanced Research and Development Authority (BARDA) contracts with the U.S. Government related to JYNNEOS amounted to DKK 680 million in 2020 (DKK 539 million in 2019).

Contracts with BARDA include multiple elements, and recognition of revenue is significant and requires subjective evaluations. Management therefore exercises judgement in determining whether the Group has fulfilled all of its performance obligations.

Management's assessment includes whether it is probable that future economic benefits from the sale of JYNNEOS bulk drug substance will flow to the Group, the benefits can be measured reliably, ownership of the goods and services is transferred to BARDA, and the Group no longer retains managerial responsibility for, or control of, the goods sold and services delivered to BARDA.

Refer to notes 2 and 3 in the consolidated financial statements.

Based on our risk assessment procedures on the Group's business process and internal controls for revenue under the BARDA contracts, we tested the appropriateness of the Group's revenue recognition.

We read the BARDA contracts, discussed them with Management and evaluated the related accounting treatment. During the audit, we tested whether the performance obligations for revenue recognized and measured under the BARDA contracts were met in 2020.

We also evaluated the financial statements disclosures related to revenue.

commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient

and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and parent company financial statements of Bavarian Nordic A/S we performed procedures to express an opinion on whether the Annual Report of Bavarian Nordic A/S for the financial year January 1 - December 31, 2020 with the file name BAVA-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format and iXBRL tagging of the consolidated financial statements. Management is responsible for preparing an Annual Report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the Annual Report in XHTML format.
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary.
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format.
- For such internal control as Management determines necessary to enable the preparation of an Annual Report that is compliant with the ESEF Regulation.

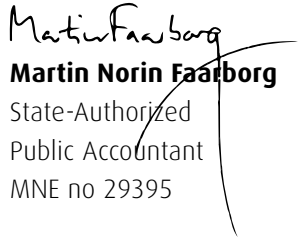
Our responsibility is to obtain reasonable assurance on whether the Annual Report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the Annual Report is prepared in XHTML format.
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process.
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements.
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified.
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy.
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the Annual Report of Bavarian Nordic A/S for the financial year January 1 – December 31, 2020 with the file name BAVA-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, March 12, 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



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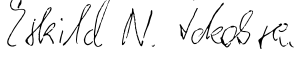

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Forward-looking Statement

This annual report contains forward looking statements. The words “believe”, “expect”, “anticipate”, “intend” and “plan” and similar expressions identify forward looking statements. Actual results or performance may differ materially from any future results or performance expressed or implied by such statements. The important factors that could cause our actual results or performance to differ materially include, among others, risks associated with product discovery and development, uncertainties related to the outcome and conduct of clinical trials including unforeseen safety issues, uncertainties related to product manufacturing, the lack of market acceptance of our products, our inability to manage growth, the competitive environment in relation to our business area and markets, our inability to attract and retain suitably qualified personnel, the unenforceability or lack of protection of our patents and proprietary rights, our relationships with affiliated entities, changes and developments in technology which may render our products obsolete, and other factors. For a further discussion of these risks, please refer to the section “Risk Management” in this annual report. Bavarian Nordic does not undertake any obligation to update or revise forward looking statements in this annual report nor to confirm such statements in relation to actual results, unless required by law.

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Print
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