An open world through **vaccines**

Annual Report 2021

BAVARIAN NORDIC

Contents

President and Chairman of the Board at the Bavarian HQ in January 2022.

Letter to our stakeholders

Forward with purpose and passion

In 2021, we continued to invest into the future growth of Bavarian Nordic. We made significant progress in our pipeline, where two key programs, ABNCoV2 and MVA·BN RSV, have delivered remarkable results and will move into Phase 3 this year. The commercial business delivered on our communicated guidance, however still impacted by the worldwide pandemic. More than 50% of our revenues were attributed to sales of our smallpox and Ebola vaccines that are more robust to the ongoing challenges set by the continued pandemic. Our plans for the integration of two of our life-saving vaccines, Rabipur/RabAvert and Encepur, remain on track, thus demonstrating a robust execution of our commercial strategy to provide a greater focus on supply and service to our customers. With the support of our investors and the endeavor of our employees, we have continued to set the foundations to succeed on our ambition to become one of the largest pure play vaccine companies in the world.

In less than a year, we advanced ABNCoV2 from early research through Phase 2 with clinical results confirming the unique profile as a universal COVID-19 booster vaccine. For MVA-BN RSV, we successfully completed a human challenge trial confirming the vaccine's ability to prevent RSV infections. With strong support from our investors, as well as from the Danish State, we have the funding in place to advance the development of both programs into Phase 3 trials during the first half of 2022. The combined investments represent more than a four-fold increase in our R&D spend, which will create a temporary loss-making situation, but is a strategic investment that could have a significant impact on global health and secure future growth opportunities for Bavarian Nordic. ABNCoV2 will report later this year with a launch expected in 2023, while RSV will report next year with a projected launch in 2025. The vaccines have the potential to fulfil our ambition to achieve annual group sales greater than USD 1 billion and secure Bavarian Nordic as one of the largest pure play vaccine companies.

During the year, we successfully completed all market transfers for Encepur and Rabipur/RabAvert. The transfer of the manufacturing processes for both vaccines is also proceeding according to plan, and once completed, will lead to an improvement in the profitability of the products. Although our integration plans remain on-track, the sales of these products have continued to be impacted by COVID-19 that restricted international travel and access to general practitioners for more routine vaccinations. Although it is difficult to predict the pandemic, with societies opening once again, we expect to see the beginning of the recovering for Encepur and Rabipur/RabAvert sales during 2022.

Worldwide, COVID-19 has created a renewed understanding of infectious diseases and how vaccines can contribute to keeping our societies open, and not least help saving lives. The unprecedented demand and the industry's reaction has created significant awareness of the vaccine business, also for Bavarian Nordic. We have seen a greater interest in our company from stakeholders around the world, with investor numbers doubling over the past year.

With a heightened public profile, we also face increased expectations to our performance, as well as good corporate citizenship. Through our commitment to improving and saving lives we wish to make a positive impact on global health but are at the same time aware of our responsibility towards our stakeholders and the society. With a growing demand for transparency, we have set out a new sustainability strategy, which incorporates relevant ESG matters into our operations and into the performance indicators for our company, including the targets for incentive remuneration of our Executive Management.

Our achievements in 2021 would not have been possible without support from our shareholders, and we are thankful for their continued trust and commitment to our company and strategy. We would neither be successful without loyal and dedicated employees who share our commitment to protecting lives every day, and we would therefore also like to extend our thanks to all our colleagues for their hard work during 2021.

Paul Chaplin
President and CEO

Gerard van Odijk
Chair of the Board of Directors

2021 in numbers

Revenue 2021

1,898 mDKK

EBITDA 2021

75 mDKK

Employees globally

+750

800 mDKK

funding agreement with the Danish State to advance our next-generation COVID-19 vaccine

Group key figures 2017-2021

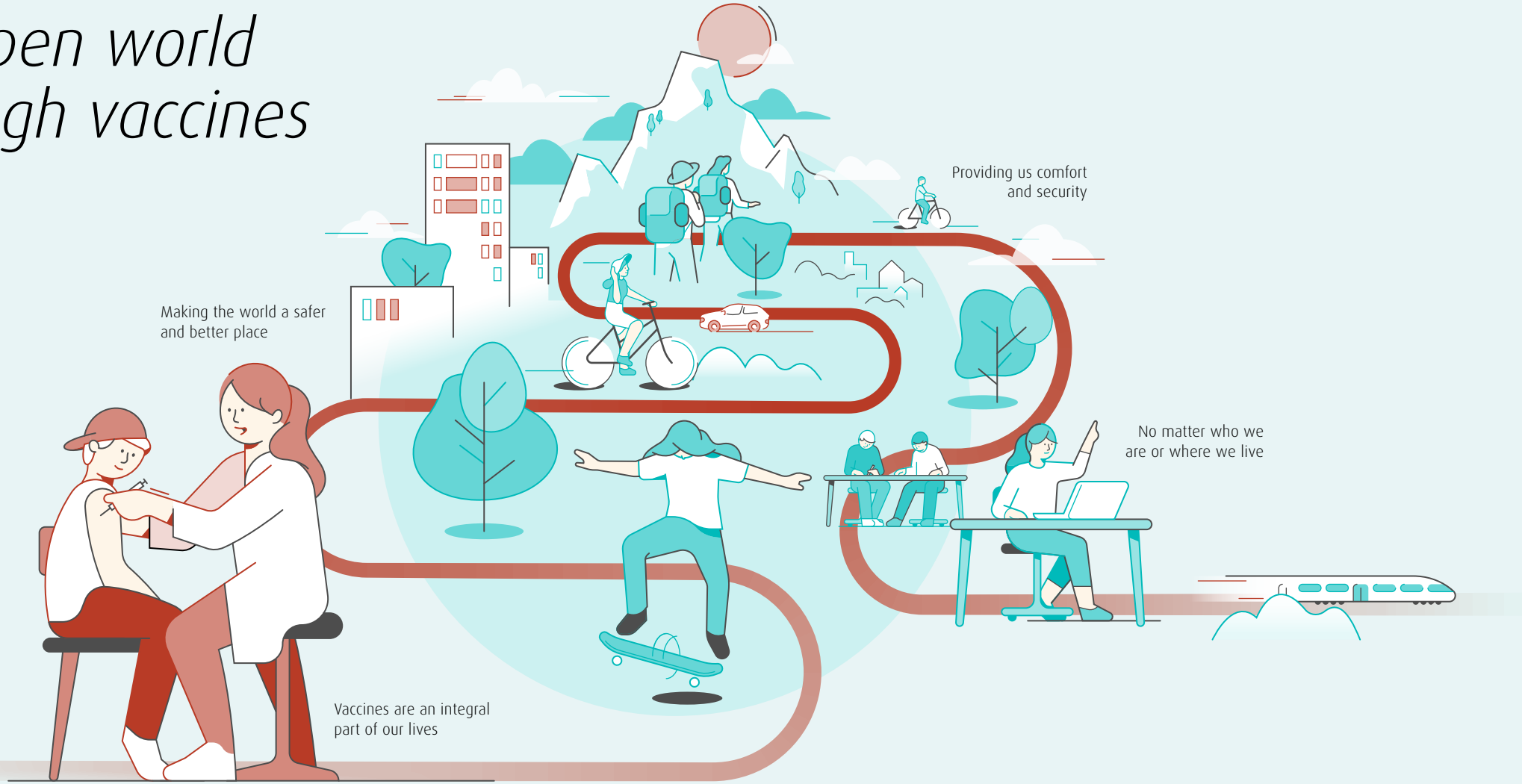
DKK million	2021	2020	2019	2018	2017
Income statement					
Revenue	1,897.9	1,852.4	662.5	500.6	1,370.2
Production costs	1,327.6	1,195.1	354.8	255.1	290.6
Sales and distribution costs	191.8	285.8	53.5	33.7	39.9
Research and development costs	399.2	341.4	409.3	386.3	518.4
Administrative costs	292.9	278.1	173.4	180.0	168.0
Income before interest and tax (EBIT)	(313.5)	379.6	(328.4)	(354.5)	353.2
Financial items, net	(140.9)	(97.6)	(16.3)	(2.2)	(50.9)
Income before company tax	(454.4)	282.0	(344.7)	(356.6)	302.3
Net profit for the year	(464.8)	277.5	(346.8)	(361.9)	181.3
Balance sheet					
Total non-current assets	7,335.6	6,378.0	6,392.2	552.7	382.2
Total current assets	4,753.6	2,381.0	654.9	2,508.3	2,770.5
Total assets	12,089.3	8,759.1	7,047.1	3,060.9	3,152.7
Equity	7,374.7	4,894.4	1,865.5	2,180.6	2,506.3
Non-current liabilities	2,806.0	2,912.4	3,134.4	397.6	399.8
Current liabilities	1,908.6	952.3	2,047.2	482.7	246.6
Cash Flow Statement					
Securities, cash and cash equivalents	3,716.6	1,669.6	472.4	2,317.2	2,583.7
Cash flow from operating activities	(358.5)	571.9	(275.9)	(288.5)	216.1
Cash flow from investment activities	(2,876.9)	(1,911.5)	(809.9)	17.1	(1,345.2)
– Investment in intangible assets	(575.3)	(483.8)	(2,310.9)	(10.2)	(22.3)
– Investment in property, plant and equipment	(483.1)	(222.9)	(360.1)	(201.8)	(56.4)
– Net investment in securities	(1,779.5)	(1,202.1)	1,861.1	229.2	(1,266.6)
Cash flow from financing activities	3,536.1	1,334.9	1,114.7	245.8	613.4

DKK million	2021	2020	2019	2018	2017
Financial Ratios[1)]					
EBITDA	74.8	739.8	(271.4)	(312.9)	390.7
Earnings (basic) per share of DKK 10	(7.4)	5.1	(10.7)	(11.2)	5.7
Net asset value per share	104.7	83.7	57.6	67.5	77.7
Share price at year-end	269	187	171	127	224
Share price/Net asset value per share	2.6	2.2	3.0	1.9	2.9
Number of outstanding shares at year-end (thousand units)	70,468	58,450	32,389	32,311	32,245
Equity share	61%	56%	26%	71%	79%
Number of employees, converted to full-time, at year-end	759	690	491	419	420

[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)	(313.5)	379.6	(328.4)	(354.5)	353.2
Depreciation and amortization (note 9)	387.7	344.1	57.0	41.6	37.5
Impairment losses (note 9)	0.6	16.1	-	-	-
EBITDA	**74.8**	**739.8**	**(271.4)**	**(312.9)**	**390.7**

An open world through vaccines



The global health system has been under pressure as COVID-19 caught the world off guard and severely impacted our societies. As the immunity in the population is now building up, the world is gradually re-opening, enabling us to live our lives again.

Vaccines have played – and continue to play – a pivotal role in overcoming the pandemic, like they have done also in the past. The global smallpox vaccination campaign during the 20th century not only saved millions of lives, but even contributed to eradication of the disease.

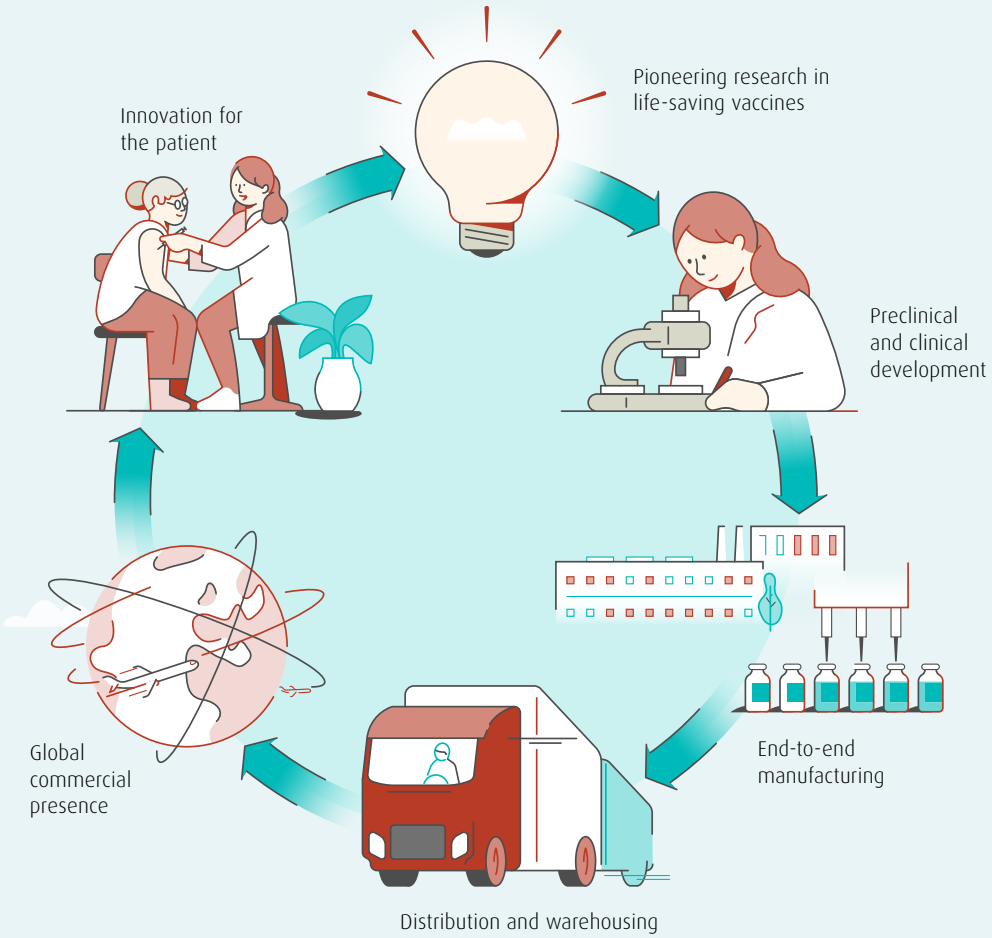
However, vaccines are also an integral part of our lives, already from birth, where our immune system has not matured and need help to fight off infections. We continue to get vaccinated throughout our lives, providing us comfort and security, which is a basic prerequisite for us to best take advantage of the opportunities in life, no matter who we are or where we live.

Our DNA in Bavarian Nordic

"Protecting lives every day" is an essential part of our DNA in Bavarian Nordic, and we aspire to develop vaccines that address unmet medical needs for the greater good of the global society. By improving access to new and better vaccines for the most vulnerable people, we play an important role in the vaccine industry that is transforming the lives of individuals, helping to boost the economies of low- as well as high-income countries, and making the world a safer and better place.

The impact of vaccination on the health of the world's peoples is hard to exaggerate. With the exception of safe water, no other intervention, not even antibiotics, has had such a major effect on mortality reduction and population growth.

Stanley Plotkin, vaccinologist, 1999



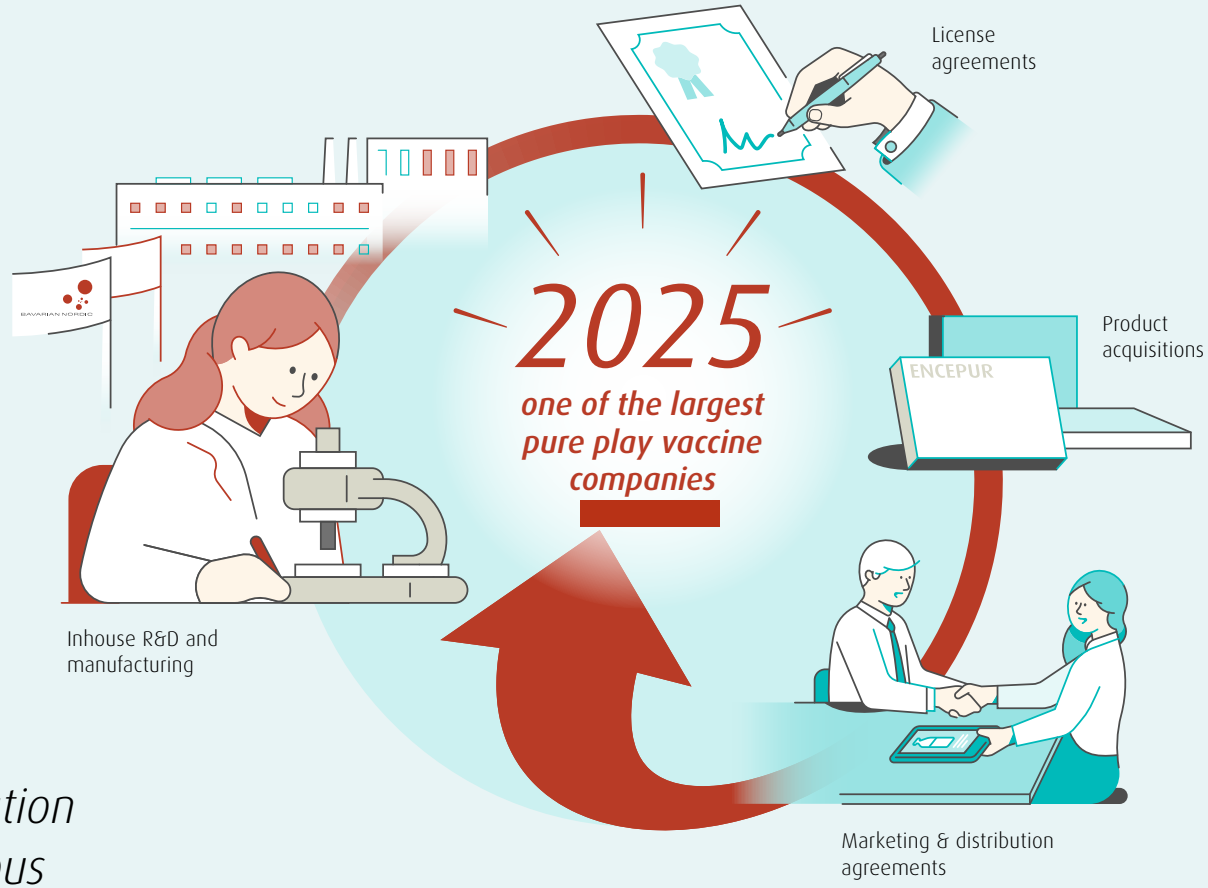
From research to real-life value

Two years ago, we embarked on a new journey in Bavarian Nordic. Building on our strengths in vaccine research, development, and manufacturing, we adopted a new strategy with a vision to become one of the largest pure play vaccine companies.

The acquisition of two marketed vaccines became the point of departure for our bold ambition and spurred the growth of our organization to include global commercial operations, strengthening of medical, regulatory and pharmacovigilance and a significant expansion of our manufacturing capabilities and capacity. We now span the full value chain from early research and development, manufacturing and supply through marketing and distribution of vaccines globally.

This has created a strong foundation for bringing more novel products to markets, where vaccines remain an important measure to prevent and control disease throughout our lives.

A bold ambition supported by multiple value drivers



The transition from biotech to a full-fledged vaccine company has created a strong foundation for utilizing our expertise and capacity in various ways to secure growth and value creation in Bavarian Nordic.

We have more than 25 years of experience in vaccine research.

Like most other biotech companies, we started out with a great idea, driven by a passion for science and a pioneering spirit that is still at the core of our employees today. We have worked to refine our own technology: MVA-BN, a live, attenuated vaccine vector, which is the backbone of two approved vaccines and several product candidates in our pipeline, including our late-stage RSV vaccine candidate moving into Phase 3 in 2022. These accomplishments are a great testament to our inhouse R&D competences.

Over time, we have explored other technologies, most recently the virus-like particle (VLP) vaccine against COVID-19, which we have in-licensed and is also advancing into Phase 3 in 2022.

Both product candidates represent a significant commercial potential, which, if realized, would help fulfil our ambition to become one of the largest pure play vaccine companies.

However, unlocking the value of R&D programs requires significant investments, and we have built a strong financial foundation, supported not only by our shareholders, but increasingly also through our vaccine business, which we have expanded over time through product acquisitions. Thereby, we have not only added to our vaccine portfolio, but are also able to utilize our manufacturing capacity for more efficient operations.

Lastly, by leveraging our commercial presence in more than 30 countries, we are able to expand our offering by adding complementary products from other companies with whom we have entered marketing and distribution agreements. By these different approaches, we have established a unique platform for further growth and value creation in Bavarian Nordic.

Strong progress on strategic priorities

2021 was an important year for Bavarian Nordic and the accomplishment of several important milestones were pivotal in the continued journey to become one of the world's largest pure play vaccine companies.

2021 developments

Focus remained on the execution of our commercial strategy and the integration plan for Rabipur/RabAvert and Encepur. We completed the second major task related to the takeover of the vaccines, as the physical distribution of the products was fully assumed during 2021. Further, we advanced our plans to expand our production facility, as part of the ongoing transfer of the manufacturing processes for both vaccines.

Strategic focus areas

Read about our 2025 strategy on page 21

*Develop innovative **life-saving vaccines***

- Reported strong efficacy of MVA-BN RSV in a Phase 2 human challenge trial.
- Initiated preparations for a Phase 3 trial of MVA-BN RSV in older adults to be initiated in 2022.
- Reported encouraging Phase 2 results for ABNCoV2, a COVID-19 booster vaccine and initiated preparations for Phase 3 trial to be conducted in 2022.
- A Phase 1/2 trial of TAEK-VAC, a novel immunotherapy candidate, was initiated.

***Best in class** vaccine manufacturer*

- First commercial vaccine doses were produced in the new fill and finish facility.
- Construction work on the expansion of the drug substance facility continued as planned.
- Transfer of the manufacturing technology for Rabipur/RabAvert and Encepur progressed according to plan.

*Driven by **commercial excellence***

- Takeover of physical distribution for Rabipur/RabAvert and Encepur was completed in remaining markets.
- Market shares were largely maintained for both products in key markets.
- Awareness and image of Bavarian Nordic with key stakeholders was improved.

A significant contribution to our strategic aspiration was the advancement of our pipeline, where we demonstrated positive results for both our COVID-19 and RSV vaccines, which will both enter Phase 3 trials during 2022.

Running two Phase 3 trials will require a significant increase in our research and development costs in the coming year, as we invest in the future growth of the company. These investments have been made possible due to strong investor support through two capital increases in 2021, generating proceeds of more than DKK 2.8 billion and the commitment of up to DKK 800 million made by the Danish Ministry of Health to support the development of our COVID-19 booster vaccine.

On track with integration plans of Rabipur/Rabavert and Encepur

The five-year integration of Rabipur/RabAvert and Encepur is a process involving all parts of Bavarian Nordic's organization, gradually transferring the responsibility for the different tasks from GSK to Bavarian Nordic, while also improving the profitability of these products. Until these plans are completed, GSK will supply the products to Bavarian Nordic.

During the first two years, we have completed all tasks related to marketing and distribution of the products, while also initiating processes related to transfer of the manufacturing of both products to our own facility. This work will continue during 2022, as we expect to complete the construction of the facility expansion that will allow us to run different manufacturing campaigns simultaneously and will enable transfer of the drug substance production of Rabipur/RabAvert and Encepur.

Next, we will take over the manufacturing of the vaccines, and we have already come far. In addition to the recent completion of our fill and finish facility, we are currently expanding the capacity of the production facility to enable manufacturing of multiple vaccines, including Rabipur/RabAvert and Encepur. This year we will take over the packaging of the products as an important step in transferring the production process to Bavarian Nordic.

The integration plan for Rabipur/RabAvert and Encepur – high-level overview:

2020	A full commercial infrastructure was established, first market take-overs	●
2021	Transfer of marketing and distribution of the products was completed in all markets	●
2022	Complete construction of manufacturing expansion and assume packaging of the products	○
2023	Assume fill and finish of the two vaccines	○
2024	Assume drug substance manufacturing	○

● Completed ○ Next steps

In 2021, we manufactured the first commercial doses of the liquid-frozen version of our smallpox vaccine in the new fill and finish facility.

Business progress in 2021

While the acquisition of Rabipur/RabAvert and Encepur has significantly increased the revenues and provided the foundation for sustainable profitability, our partnerships with governments and industry still account for sizeable revenues.

Smallpox

Significant revenues were generated under our contract with the U.S. government, related to the order received in 2020. Part of the order was delivered as final doses of the liquid-frozen version of the vaccine, which was the first commercial doses to be produced at our new fill and finish facility. The remaining part comprised of manufacturing for bulk drug substance, which will be finalized and delivered as freeze-dried vaccines at a later stage.

We also entered a new, large contract with the Public Health Agency of Canada for deliveries of smallpox vaccines in 2022 and 2023, thus continuing our long-standing partnership.

Finally, in the beginning of 2021, we delivered smallpox vaccines to three EU countries totaling DKK 90 million under contracts entered in 2020.

Ebola

Our partner, Johnson & Johnson, continued their strong commitment to the fight against Ebola, specifically by providing vaccines to regions in West Africa, where outbreaks have been common in recent years. Our MVA-BN-based vaccine, Mvabea® is part of Johnson & Johnson's two-dose vaccine regimen and we have continued to provide manufacturing support to ensure vaccine availability, producing orders received in both 2020 and 2021.

New partnership

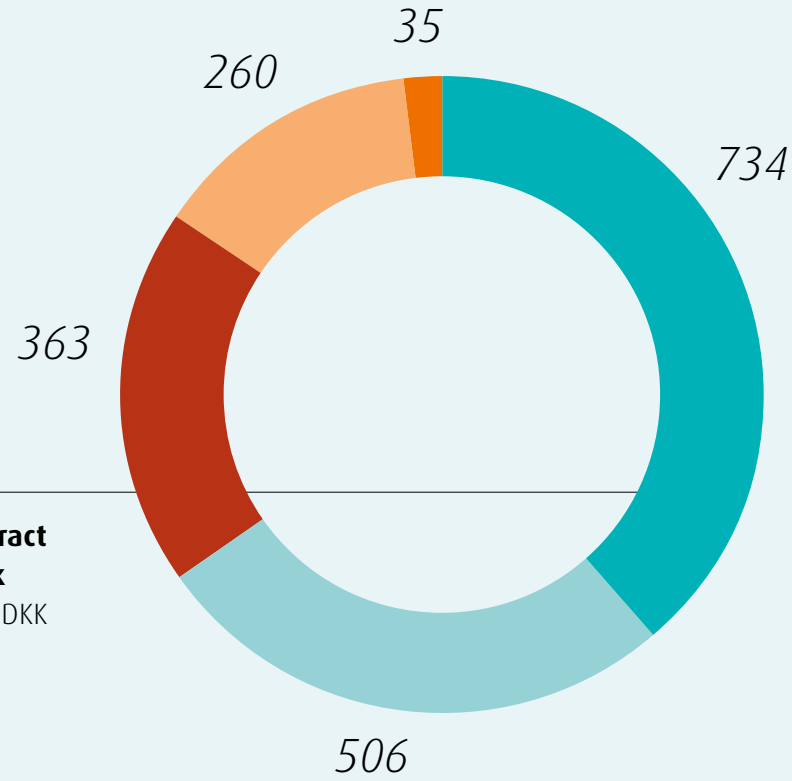
With our commercial infrastructure fully in place, we are now leveraging our presence in various markets by expanding our product portfolio through marketing and distribution agreements with companies whose products complement our own portfolio. Following our agreement with Valneva in 2020 to commercialize Ixiaro and Dukoral in certain countries, we entered an agreement with Dynavax in 2021 to assume commercial responsibility of Heplisav-B, a hepatitis B vaccine in Germany, as part of their launch of the product in Europe.

200,000 doses of the Ebola vaccine regimen from Johnson & Johnson and Bavarian Nordic were donated to affected regions in West Africa during 2021.

Sales performance and market trends

Revenue 2021

1,898 mDKK



Jynneos/ Imvanex
734 mDKK
Smallpox vaccine sold to government stockpiles, mainly USA.

Rabipur/ RabAvert
506 mDKK
Rabies vaccine for pre- and post-exposure immunization. Marketed in US, EU and selected other countries.

Encepur
363 mDKK
Tick-borne encephalitis vaccine. Marketed in EU countries.

Mvabea
260 mDKK
Ebola vaccine which is licensed to Janssen. Revenue is related to manufacturing of the vaccine.

Contract work
35 mDKK

Comparative figures for 2020 are shown in brackets. Where market shares are mentioned, these are measured by value.

Jynneos/Imvanex

Revenue from the sale of Jynneos/Imvanex for the full year was DKK 734 million (DKK 541 million) and DKK 184 million (DKK 60 million) for the fourth quarter. The revenue includes sales of DKK 644 million invoiced under the US government order awarded in April 2020, involving both bulk and liquid frozen finished products, and sales to several European countries amounting to DKK 90 million.

Rabipur/RabAvert

Rabipur/RabAvert revenue amounted to DKK 506 million (DKK 628 million) for the full year. The 19% decrease versus prior year was caused by COVID-19. The US and German markets accounted for 83% of the global Rabipur/RabAvert revenue and the market dynamics described below are focused on these key markets.

During 2021, the US rabies market saw some recovery from 2020 and grew by approximately 13% (15% down versus 2019). RabAvert achieved a full year market share of approximately 70%, down from 75% in 2020. The market share loss in 2021 was expected as a competitor re-entered the market after a period of stock-out. RabAvert market share is still above the pre-stock-out level.

The German market, which is purely a travelers' vaccine market, continued to be hit hard by COVID-19, but with some early signs of recovery seen in the second half year. The German market declined by approximately 55% in 2021 (85% down versus 2019) and the Rabipur market share remained strong at approximately 94%.

For the fourth quarter, revenue amounted to DKK 138 million (DKK 80 million), i.e. a strong increase of 73% primarily driven by the US with a 34% market growth, slightly higher market share and some positive impact from wholesaler inventory build-up.

Encepur

Encepur revenue amounted to DKK 363 million (DKK 455 million) for the full year, i.e. a decrease of 20% 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 a market decline in key markets and some minor market share loss in smaller markets with low Bavarian Nordic share of voice relative to competition.

The German market accounted for 64% of total Encepur revenue for 2021. The German market declined by 13% in 2021 (23% down versus 2019) as physicians were occupied with COVID-19 vaccinations and the Encepur market share remained unchanged at approximately 31%.

For the fourth quarter, revenue amounted to DKK 47 million (DKK 49 million) corresponding to a decrease of 4%, close to the 5% market decline seen in the German market.

Mvabea

Revenue from sale of Mvabea (Ebola vaccine) to Janssen for the full year was DKK 260 million (DKK 0 million). For the fourth quarter, Mvabea revenue was DKK 171 million (DKK 0 million).

Other income

Revenue from milestone payments for the full year was DKK 0 million (DKK 67 million). The income in 2020 was related to the award of the European marketing authorization of the Ebola vaccine in 2020.

Revenue from contract work was DKK 35 million (DKK 162 million), mainly related to qualification and validation activities relating to the new fill-and-finish plant under contracts with the US government. Contract work revenue for the fourth quarter amounted to DKK 4 million (DKK 39 million).

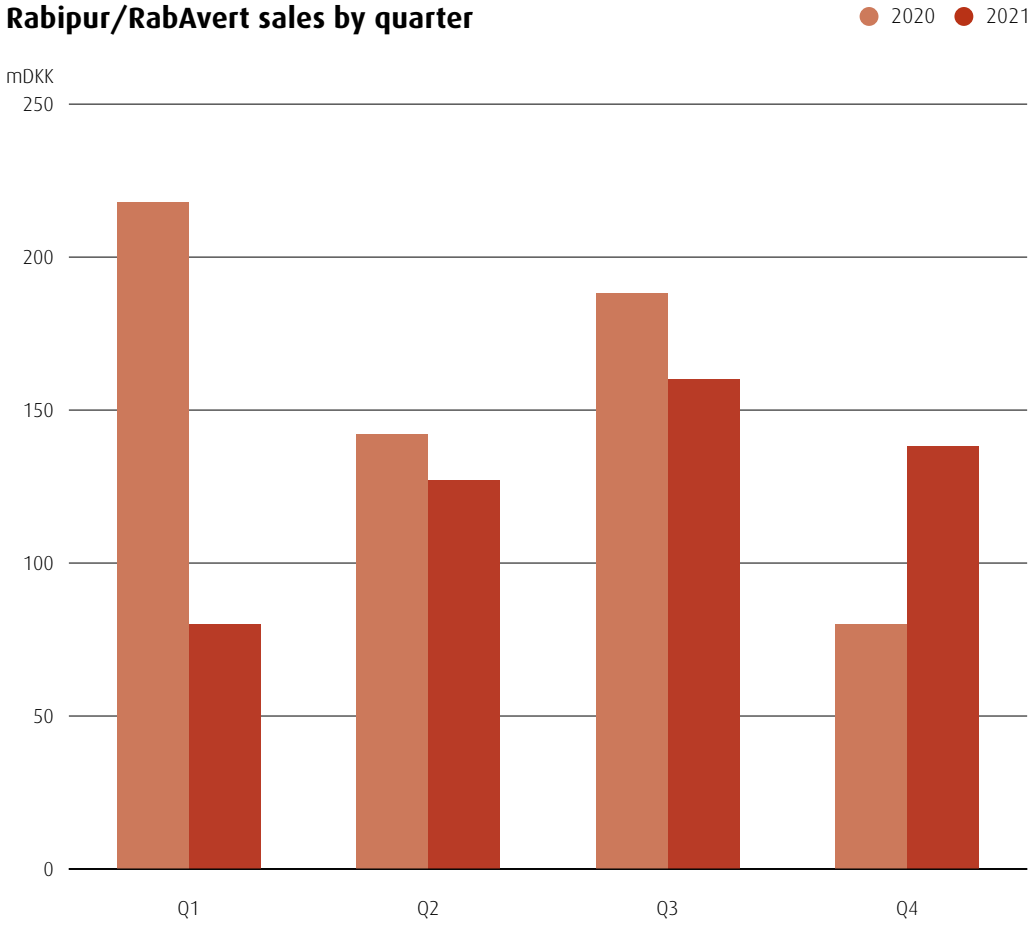
Revenues, fourth quarter

mDKK	**Q4 2021**	Q4 2020	Growth
Jynneos/Imvanex	184	60	306%
Rabipur/RabAvert	138	80	73%
Encepur	47	49	-4%
Mvabea	171	0	
Contract work	4	39	-90%
Total	**544**	229	138%

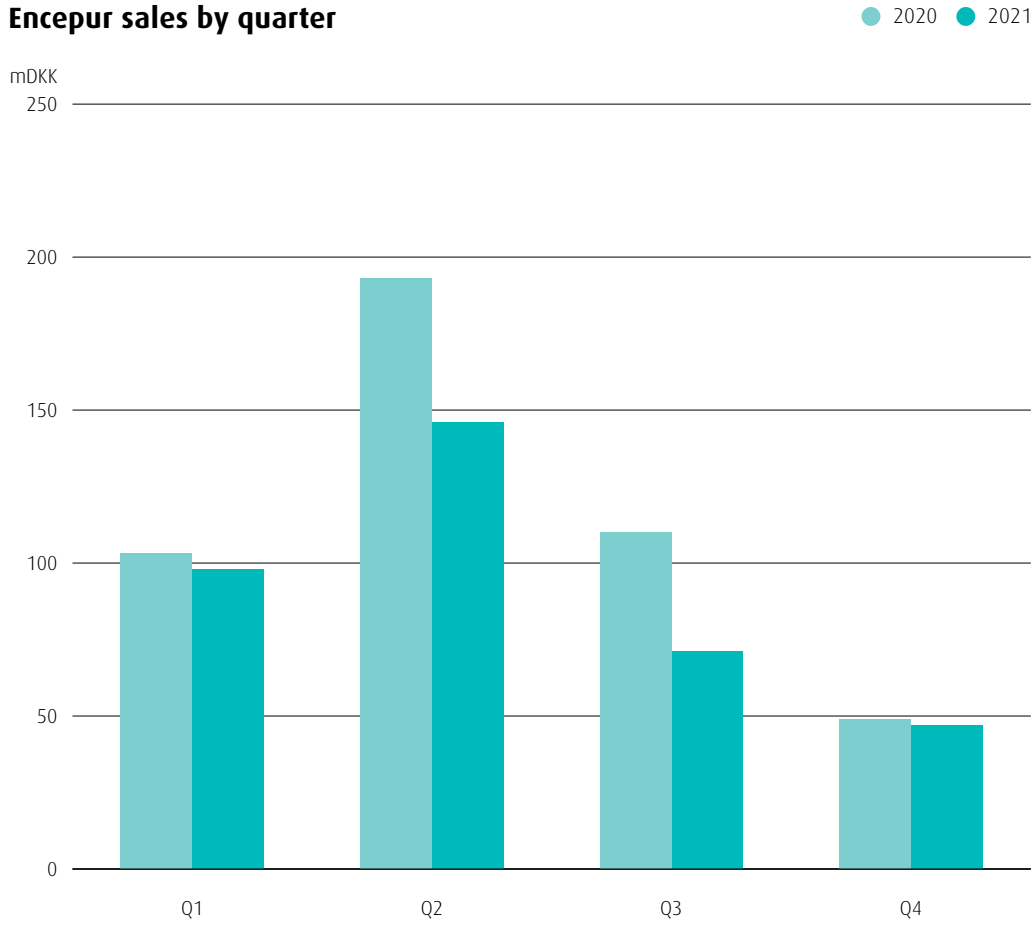
Revenue, full year

mDKK	**FY 2021**	FY 2020	Growth
Jynneos/Imvanex	734	541	36%
Rabipur/RabAvert	506	628	-19%
Encepur	363	455	-20%
Mvabea	260	0	
Contract work	35	162	-78%
Milestone payments	0	67	
Total	**1,898**	1,852	2%

Rabipur/RabAvert sales by quarter



Encepur sales by quarter



A pivotal year ahead

2022 will be a pivotal year for Bavarian Nordic with significant news flow from our pipeline, as we embark on two global Phase 3 trials (RSV and COVID-19), encompassing more than 24,000 subjects.

Advancing these programs is a significant investment, four-fold the size of our normal R&D budget. It is however an important investment for the future that will help fulfil our ambition to become one of the largest pure play vaccine companies and to potentially transform healthcare for millions of people globally.

We are also working to finalize the transfer of the freeze-dried manufacturing process for JYNNEOS that is last activity to support the submission of a supplement to the existing Biologics License Application (BLA) for our smallpox vaccine, which is key to unlocking further value from our contracts with the U.S. government.

Our integration activities for Rabipur/RabAvert and Encepur continue into their third year, where focus primarily will be on expanding our manufacturing capacity, transferring the packaging of the products, and continuing the tech transfer activities as we prepare for gradually taking over the full production cycle for both products over the next years.

Commercially, we remain focused on consolidating our position among healthcare professionals, ready to take advantage of this when international travel resumes and demand for our vaccines increases.

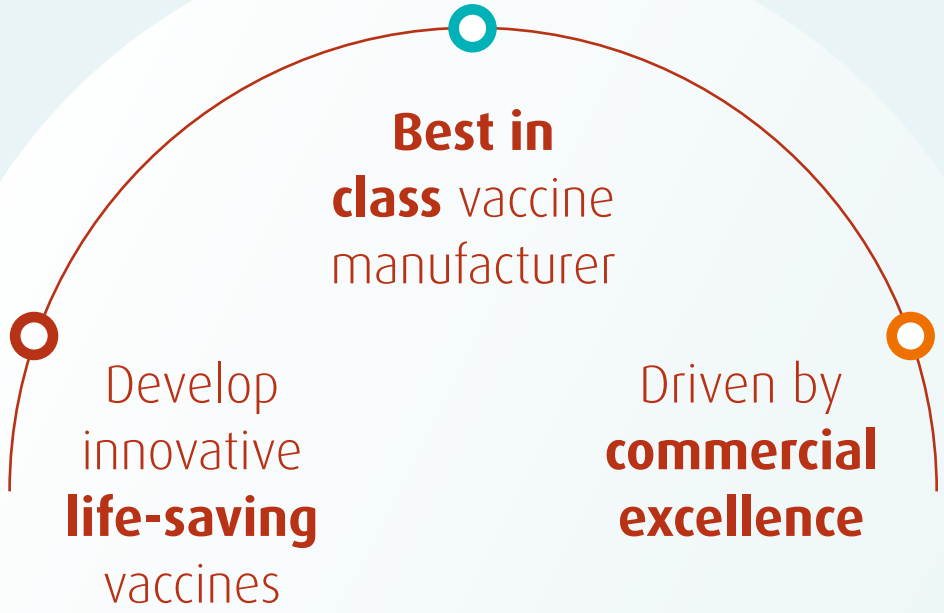
Integrating sustainability into our targets

Driven by our purpose to save and improve lives by unlocking the power of the immune system, our success depends on our ability to grow Bavarian Nordic and keep delivering novel vaccines that truly set a mark on global health. In doing so, we also increase our environmental and social footprint on the surrounding world, among others.

We have enhanced our commitment to the global sustainability agenda and from 2022 and onwards, we have integrated sustainability targets covering all dimensions of ESG (environment, social and governance) into our overall objectives, as well as in the short-term incentive program for the Executive Management.
.

Advancing our 2025 strategy

Upon the acquisition of two marketed vaccines from GSK in 2019, which marked the beginning of the commercial transformation of Bavarian Nordic, we launched an ambitious five-year strategy, building on our core strengths in vaccine research, development, and manufacturing. Along the acquisition, we further expanded our organization to include a full, global commercial infrastructure to help drive profitable growth, thus becoming a full-fledged vaccine company with an aspiration built on the following pillars:



A multi-pronged strategy with several short- and long-term value drivers is the foundation for **our bold vision to become one of the largest pure play vaccine companies**

Our 2022 objectives

Strategic focus area	Key value drivers (medium-term)	2022 objectives
Develop innovative life-saving vaccines	*RSV* Launch of vaccine for older adults through partnerships.	• Initiate Phase 3 enrollment in first half of 2022. • Complete enrollment of 20,000 subjects by end of 2022. • Continue manufacturing activities to prepare for commercial launch of the product.
	COVID-19 Launch of COVID-19 booster vaccine.	• Initiate enrollment for Phase 3 of ABNCoV2 in the first half of 2022. • Report Phase 3 data in the second half of 2022. • Continue manufacturing activities to prepare for a regulatory submission by end of 2022.
	Smallpox Approval of freeze-dried version of smallpox vaccine.	• Continue transfer of freeze-dried manufacturing process to Bavarian Nordic.
Best-in-class vaccine manufacturer	Establish capabilities to fill and finish liquid & freeze-dried products.	• Progress the manufacturing technology transfer of Rabipur/RabAvert and Encepur according to plan, including completing the qualification of packaging of both products.
	Expand bulk manufacturing to introduce new technologies and manufacture multiple products.	• Complete investment in the expansion of the bulk manufacturing facility.
Driven by commercial excellence	Drive profitable growth of commercial business.	• Defend and gain market shares for Rabipur/RabAvert and Encepur in key markets.
	Become a preferred partner for healthcare professionals for marketed products.	• Improve awareness of Bavarian Nordic among key stakeholders.
	Add additional marketed products organically, through partnerships or M&A.	• Assume marketing and distribution of Valneva's and Dynavax' products in certain markets.

Outlook for 2022

2022 financial outlook

Revenue (mDKK)

1,100 – 1,400

EBITDA (mDKK)

(1,300) – (1,000)

Cash and cash equivalents at year-end (mDKK)

1,000 – 1,200

Due to the continued uncertainty created by COVID-19, the outlook for 2022 will be expressed using intervals.

Key assumptions

Revenue

The guided interval reflects the uncertain impact of COVID-19 on the TBE and rabies markets in 2022. The mid-point of the guidance assumes a partial return to normality for the TBE market and the US rabies market and a slower return to normality for the European rabies business.

Only confirmed smallpox vaccine orders with BARDA have been included in the guidance and constitute approximately DKK 100 million.

The previously announced order to Public Health Agency of Canada amounting to DKK 203 million has been included in the guidance.

Due to close-down of the existing bulk plant until end of August 2022, only limited capacity will be available for bulk manufacturing of MVA-based products (smallpox and Ebola) and hence no revenue is expected from Ebola in 2022. The close-down is a planned step in the expansion of the bulk facility to enable future manufacturing of Rabipur/ RabAvert and Encepur.

Limited revenue from partner agreements with Valneva and Dynavax is included. No potential income from RSV partnering is included in the guidance.

Research and development costs

- Total investments in research and development amount to approximately DKK 1,950 million, including ABNCoV2 capitalized costs of approximately DKK 700 million.
- Non-capitalized research and development costs amount to approximately DKK 1,250 million of which the RSV project accounts for approximately DKK 850 million.

Cash position

- Milestone payments to GSK relating to the acquisition of Rabipur/RabAvert and Encepur: approximately DKK 600 million.
- Capitalization of tech-transfer activities for acquired vaccines: approximately DKK 250 million.
- Capitalization of ABNCoV2 development costs: approximately DKK 700 million.
- Financial support to ABNCoV2 from the Danish Ministry of Health: approximately DKK 640 million. This represents the full remaining amount under the DKK 800 million funding agreement.
- Other tangible investments: approximately DKK 350 million, including finalization of new bulk facility for future manufacturing of Rabipur/RabAvert and Encepur.
- Net working capital expected to remain approximately unchanged with inventory increase of approximately DKK 250 million largely off-set by expected increase in accounts payable.
- Debt level by year-end of approximately DKK 600 million assumed, excluding repo positions.

The outlook is based on the following assumptions on currency exchange rates of DKK 6.50 per 1 USD and DKK 7.45 per 1 EUR.

Mid- to long-term financial goals

While the rabies and TBE market was negatively impacted by COVID-19 in 2020 and 2021, we remain confident that these markets will return to normal after which Rabipur/RabAvert and Encepur are expected to deliver at least low- to mid-single-digit annual sales growth and mid- to high-single-digit annual sales growth, respectively.

Bavarian Nordic remains committed to target, on a normalized basis, a strong cash generation and profitability by 2025 at a level in line with the relevant vaccine peer group average.

A stronger foundation for future action

Our commitment to sustainability

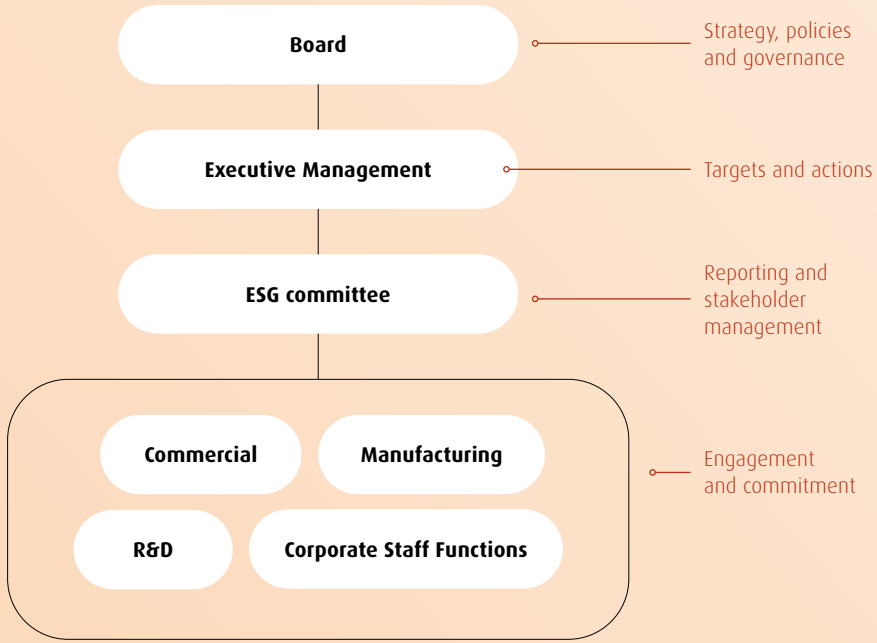
Significant progress was made in 2021 to strengthen our overall commitment to sustainability and create the foundation for setting a clearer and more ambitious direction for the future.

A new governance structure was introduced to strengthen the accountability and oversight from the Board to the Executive Management and throughout the entire organization.

This entailed a reinforcement of the ESG Committee with more internal stakeholders to support a broader focus going forward. The Committee has initiated a thorough analysis of the Company's external stakeholders, which has not only helped to better assess the materiality and impact of our operations, but also driven new activities during the year, complementing the targets set for 2021.

Going forward, the strengthened accountability and action will be reflected in the incentive remuneration of the Executive Management, which in part will be linked to short-term ESG goals. The same principle will be extended to all other leaders throughout Bavarian Nordic to facilitate increased awareness and shared accountability for the targets across the organization.

Sustainability Management



With a strengthened commitment and the inclusion of ESG targets in the remuneration principles, we have taken the first steps to build a long-term strategy to support sustainable operations.

To further unfold our ambitions, and enable ourselves to set long-term targets, we will work to enhance our data platform and broaden the scope our reporting. To facilitate this, we will consider introducing one or more recognized reporting standards in the short- to medium-term. This will also allow us to better demonstrate progress towards our goals.

While our long-term ambitions and goals will be subject to further assessment in 2022, we have established our reporting framework and short-term goals based on our initial materiality and impact assessment, which we will conduct annually to ensure our priorities are always aligned.

Sustainability targets

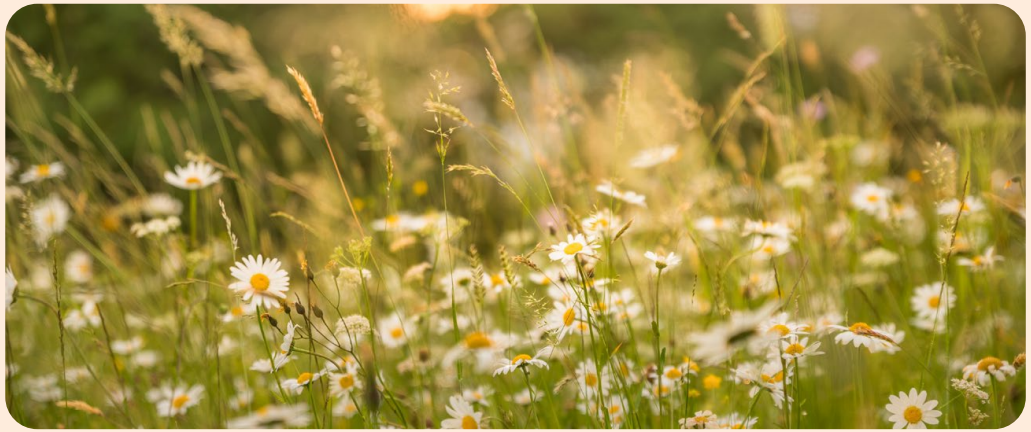
Area	Focus	Target
Our people	· Employee engagement	· Maintain high engagement by completing actions based on the feedback from the engagement survey 2021
	· Diversity and inclusion	· Maintain gender equality among leaders
	· Health and safety	· Sick leave ≤ 2021 levels · Work-related injuries ≤ 2021 levels
Environment and climate	· Emissions	· Develop baseline for energy consumption in production
	· Waste	· Waste recycling rate ≥ 2021 levels
Business ethics and governance	· Governance	· Implement enhanced process for third party due diligence process for anti-bribery purposes

Our progress on sustainability is reported in our Sustainability Report 2021, which covers our reporting obligations cf. sections 99a, 99b, 99d and 107d of the Danish Financial Statements Act and Article 8 of the EU Taxonomy Regulation.

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" 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 sustainability report.



	Unit	2021	2020	2019	2018	2017
Environmental data[1]						
CO_2e, scope 1	Metric tons	1,422	1,381	909	964	992
CO_2e, scope 2	Metric tons	1,085	1,175	1,178	1,398	1,686
Energy Consumption	GJ	42,577	45,110	34,137	32,527	32,099
Water Consumption	m3	17,023	19,170	14,770	11,610	10,877
Social data[1]						
Full-Time Workforce	FTE	734	607	465	421	439
Gender Diversity[2]	%	61	61	N/A	N/A	N/A
Gender Diversity, Management	%	56	56	51	50	49
Employee Turnover Ratio	%	14	9	10	13	18
Sickness Absence[3]	Days per FTE	7	6	6	6	8
Governance data[4]						
Gender Diversity, Board	%	29	29	29	14	14
Board Meeting Attendance Rate[5]	%	99	97	98	97	N/A
CEO Pay Ratio	Times	16	15	15	N/A	N/A

[1] Data derived from the Company's sustainability reports 2017-2021.
[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 2017-2021, except for CEO pay ratio, which is presented in the Remuneration Report 2021.
[5] Data not collected before 2018.

Our strategy and business

Our vaccines

The COVID-19 pandemic is an unfortunate reminder of the vulnerability of the world's 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 many diseases are animals that are difficult to fully control, and the evolution of viruses driven by mutations present continuous challenges in our efforts to minimize the impact of emerging diseases.

Vaccines play an important role to improving public health around the globe. At Bavarian Nordic we are committed to saving and improving lives by unlocking the power of the immune system and our accomplishments clearly demonstrate our ability to transform our knowledge, expertise and capabilities into life-saving vaccines.

Selected pipeline projects

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

Indication	Status
Smallpox	As part of our collaboration with the U.S. government, we are developing a freeze-dried version of **JYNNEOS®** with an improved shelf-life and storage conditions to replace the stockpile of the liquid-frozen version. The vaccine has completed Phase 3 clinical trials and we are working to finalize the transfer of the freeze-dried manufacturing process that is the last activity to support the submission of a supplement BLA to the FDA to extend the current approval of JYNNEOS for the freeze-dried version.
RSV	Our vaccine candidate, **MVA-BN RSV** has completed Phase 2 development, and following highly encouraging results from a human challenge trial in 2021, we are advancing the vaccine into Phase 3 in 2022.
SARS-CoV-2	We are developing **ABNCoV2** as a universal booster vaccine for COVID-19. The vaccine is based on a virus-like particle (VLP) platform and based on encouraging Phase 2 results are planning a Phase 3 clinical trial in 2022. The program has attracted financial support from the Danish Ministry of Health.
Immuno-oncology	A tumor antibody enhanced therapeutic vaccine; **TAEK-VAC** is a novel immuno-oncology candidate employing our MVA-BN technology. A Phase 1/2 open label trial of intravenous administration of the vaccine, was initiated in 2021 in patients with advanced HER2 and brachyury-expressing cancers. The first stage of the trial is investigating the safety and tolerability of escalating doses of the vaccine before advancing into stage 2, expected in 2022.

Marketed vaccines

Since our first product approval in 2013, we have expanded our portfolio of marketed vaccines through acquisitions of established products with a strategic fit and manufacturing synergies with our existing business.

Brand name(s)	Indication and markets	More information
Jynneos® *Imvamune®* *Imvanex®* *(liquid-frozen)*	The only FDA and EC-approved non-replicating smallpox vaccine, developed on our MVA-BN platform technology. Indication extended to include monkeypox and other orthopoxviruses in certain markets. The vaccine is sold directly to governments.	
Rabipur® *RabAvert®*	Vaccine for pre- and post-exposure prophylaxis against rabies. Marketed in 20 countries globally.	What is rabies and how can it be prevented? Read more on: www.loweringtherisk.com
Encepur®	Tick-borne encephalitis (TBE) vaccine. Marketed in 12 EU countries.	What is TBE and how can it be prevented? Read more on: www.loweringtherisk.com
Mvabea®	Ebola vaccine developed on our MVA-BN platform technology. Licensed to Janssen (Johnson & Johnson) in 2014 and now part of their two-dose vaccine regimen (Ad26.ZEBOV + MVA-BN Filo) approved by the EC in 2020.	Read more about Johnson & Johnson's efforts and how our vaccine helps in the fight against Ebola: www.jnj.com/ebola

FDA: U.S. Food and Drug Administration **EC:** European Commission

Marketing and distribution agreements

We have entered agreements with Valneva and Dynavax to market and distribute their vaccines in selected markets. With Valneva, we have a mutual agreement, whereby Valneva also markets our rabies and tick-borne encephalitis vaccines in certain markets.

Brand name	Owned by	Indication and markets
IXIARO®	Valneva	Japanese encephalitis vaccine. Bavarian Nordic markets and distributes the vaccine in Germany and Switzerland
DUKORAL®	Valneva	Cholera vaccine. Bavarian Nordic markets and distributes the vaccine in Germany and Switzerland
HEPLISAV-B®	Dynavax	The only FDA and EC-approved hepatitis-B vaccine with a two-dose schedule for adults that is completed in one month.

More products will enhance market presence and increase awareness.

Driven by commercial excellence

A solid foundation provides opportunities for expansion

The acquisition of two commercial vaccines, Rabipur/RabAvert and Encepur from GSK in 2019 was a defining event for Bavarian Nordic. It propelled our ambition to transform the company into a leading player in vaccines by adding sustained revenues to our existing government contracts, thus creating the foundation for profitable growth.

Although markets for the two vaccines have been impacted by the COVID pandemic in both 2020 and 2021, primarily due to travel restrictions, the process of taking over marketing and distribution of the vaccines has helped to fulfil an important milestone for Bavarian Nordic by accelerating the build-up of the infrastructure to manage commercial operations across various customer segments and geographies. We are now leveraging our presence in various markets by expanding our product portfolio through marketing and distribution agreements with companies whose products complement our own portfolio.

Our growing presence in EU and US markets and the general increased attention towards vaccines have helped to strengthen the awareness of Bavarian Nordic among relevant stakeholders and working with our brand reputation remains key to continue building loyalty and driving increased market shares.

Commercial portfolio growing in key markets in 2022

Germany represents our largest EU market and is also where we have our strongest physical presence. A dedicated sales force, initially contracted via third-party during the build-up of the commercial organization, will gradually transition to Bavarian Nordic during 2022, as commercial activities increase due to expansion of the product portfolio.

In early 2022, we assumed marketing and distribution of IXIARO® and DUKORAL®, Valneva's vaccines for Japanese Encephalitis and cholera in Germany and Switzerland as part of the mutual marketing and distribution agreement entered in 2020. Both are established vaccines that fit well into our travel vaccines portfolio, and while the international travel activity remains impacted by COVID-19, we are focusing our efforts on market positioning and awareness in anticipation of the travel activity returning as the pandemic wanes.

Furthermore, later in 2022, we will add HEPLISAV-B®, a novel hepatitis B vaccine from Dynavax, to the commercial portfolio. The vaccine was granted marketing authorization by the EC in February 2021 and is the only approved hepatitis B vaccine with a two-dose schedule for adults that is completed within one month. Dynavax has chosen Bavarian Nordic to launch their product in the first market in Europe, Germany.

Our commercial focus in 2022

We wish to be recognized for our commercial excellence and aim to become a preferred partner to healthcare professionals. A key success factor to achieve this is to continue improving the awareness and image of Bavarian Nordic among key stakeholders, which will be supported not only by our growing product portfolio, but also by our presence in the COVID-19 space, as we advance our vaccine candidate into Phase 3.

Importantly, to support the profitable growth of Bavarian Nordic, we maintain a solid focus on retaining and gaining market shares for Rabipur/RabAvert and Encepur in key markets.

Drive profitable growth

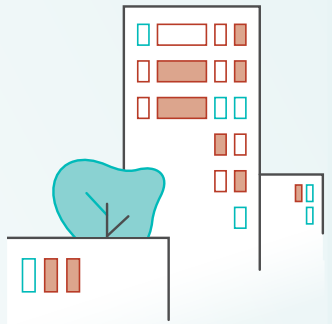
Defend and gain market shares for Rabipur/RabAvert and Encepur in key markets.

Increase awareness

Improve awareness of Bavarian Nordic among key stakeholders.

Expand portfolio

Assume marketing and distribution of Valneva's and Dynavax' products in certain markets.



Best-in-class vaccine manufacturer

Experienced leadership from global vaccine production

In April 2022, we will welcome Russell Thirsk as our new Chief Operating Officer (COO) and member of the Executive Management team. Russell brings more than two decades of technical and leadership experience from both GSK and Novartis, where he has led several complex build-up and transformation projects and has had oversight of some of the world's largest commercial vaccine manufacturing operations.

Russell has a strong track record as a vaccines operations leader and joins us in an overly exciting and transformative period, where we continue to expand our manufacturing infrastructure to support our ambition to become one of the world's largest pure play vaccine companies.

Russell Thirsk is our new Chief Operating Officer (COO).

You are joining Bavarian Nordic at a pivotal stage with two vaccine candidates being advanced into the final development stage and with the potential to significantly impact and transform the company. What do you see as your focus area and main objective as COO in the short and mid-term?

> *It is indeed a privilege to join the company at this pivotal time, the licensure and launch of a new product is the culmination of many years of effort and I am thrilled to be part of it. Initially my focus will be on ensuring a robust and reliable supply chain for these products and ensuring that our supply capabilities match our commercial ambitions.*

The manufacturing set up plays a key part in reaching our 2025 strategy plan. Where do you see the most urgent challenges facing the company?

> *Manufacturing vaccines is a skill; it requires strong teams and a depth of technical knowledge that is challenging to scale. As we increase our manufacturing output and launch new products on the market, we will need to build the capability quickly. We will be doing that in a period where there is significant disruption in supply chains across the industry which we will need to navigate.*

Where do you expect to see the largest differences between working in Big Pharma and Bavarian Nordic?

> *Everywhere I have worked in the vaccines industry I have found people who are inspired and energized by the work they do to protect lives, that is the same at Bavarian Nordic. Where I see the difference and the opportunity is the ability to focus efforts on the great opportunity the company has and the agility to react and respond to our quickly evolving environment.*

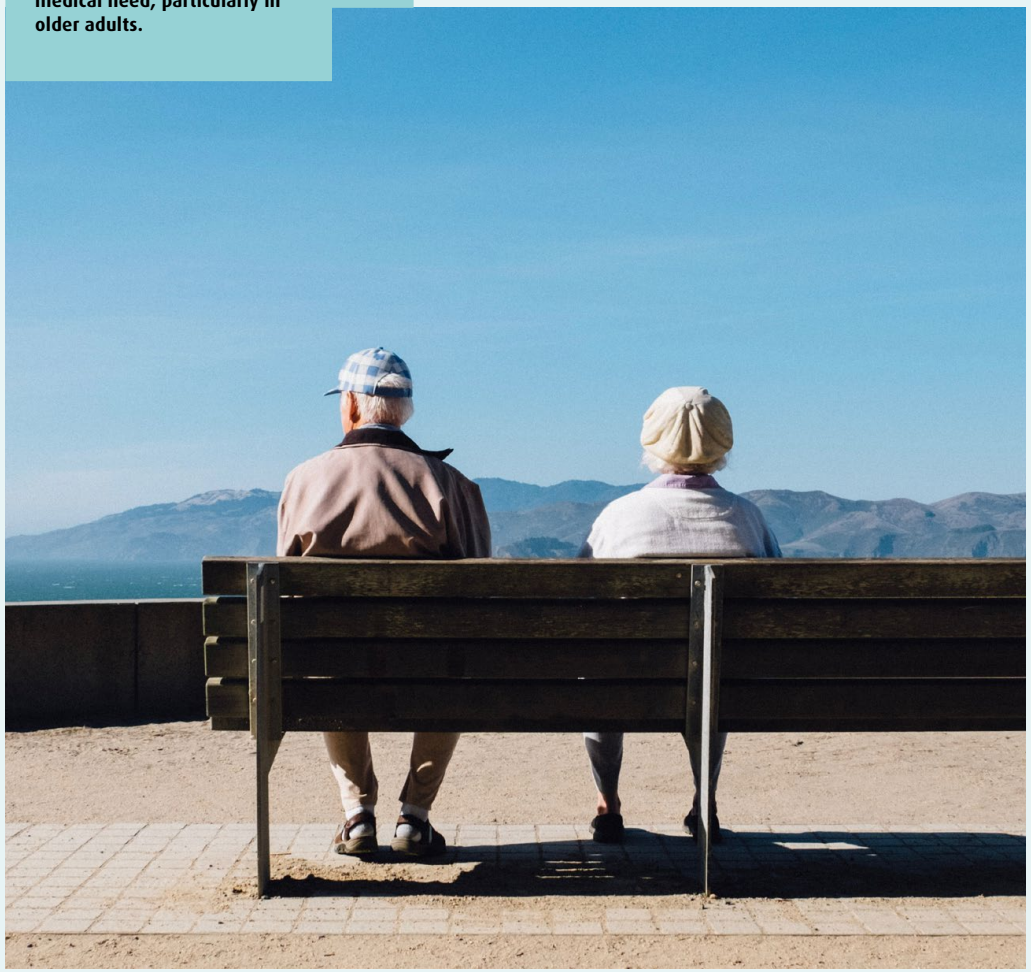
We are facing exciting times ahead, and Russell is joining a team of dedicated and highly qualified people committed to improving and saving lives. What has attracted you to Bavarian Nordic and where do you see the most exciting opportunities?

> *The biggest attraction for me has been the passion of the people I have met. The passion to bring new products to the market and to build a great company focused on the mission of vaccination, this is an incredibly exciting time to be in an industry undergoing unprecedented change and where technology continues to open up more and more avenues for using vaccination to prevent and cure disease.*

What does it take for us in Bavarian Nordic to be successful?

> *Success in my experience has three vital ingredients, passionate people who love what they do, a positive spirit, a culture of curiosity and a bit of resilience to help solve problems and overcome the obstacles and finally focus – on the task at hand and on the end goal of protecting life.*

RSV represents a large unmet medical need, particularly in older adults.



Develop innovative life-saving vaccines

A vaccine is still needed against RSV

With no approved vaccines, RSV (respiratory syncytial virus) remains a large unmet medical need. MVA-BN RSV, one of our two late-stage development programs, not only addresses this need, but also represents an important strategic asset with a significant potential to become a key contributor to our vision of becoming a leading pure-play vaccine company by 2025. Following completion of Phase 2 and the encouraging results from a human challenge trial, we are advancing the vaccine into a Phase 3 trial in 2022.

A differentiated vaccine candidate with potential for broader protection

MVA-BN RSV is being developed for prevention of RSV in older adults. It is the only RSV vaccine candidate that incorporates all five relevant antigens: F, G (a), G (b), N and M2 to stimulate a broad immune response against both RSV subtypes (A and B), thus mimicking and enhancing the immune response observed following a natural response to an RSV infection. The incorporation of five antigens differentiates MVA-BN RSV from other RSV vaccine candidates currently in development that focus only on the F antigen.

What is RSV?

RSV is a common virus that usually causes mild, cold-like symptoms, but in serious cases can lead to severe lung infections, including bronchiolitis and pneumonia, which ultimately can lead to death. By the age of 2 years, most infants have experienced their first RSV infection, followed by frequent reinfections throughout life, because RSV infections do not induce a sustainable, long-lasting protective immunity. Vaccination against RSV is relevant in two different target groups with at-risk individuals typically including infants and older adults/immunocompromised individuals.

Large unmet medical need represents attractive market potential

It is estimated that each year RSV-induced infections lead to approximately 177,525[1] hospitalizations and 14,000[1] deaths in adults aged 65 years and older in the US, comparable to influenza. The total estimated hospitalization costs attributed to RSV in older adults in the United States exceeds USD 1 billion[1]. Accordingly, preventing RSV-induced infections is a top priority for governments and medical professionals globally. Currently there is no approved vaccine against RSV. As such, RSV constitutes a large and critical unmet medical need. Analysts expects a potential multi-billion-dollar vaccines market size in the range of USD 5-9 billion annually.

The competitive landscape is changing

The competitive landscape has evolved rapidly over the past few years with several late-stage programs from Pfizer, Janssen, GSK and Moderna. However, we remain confident in our differentiated approach, which allows us to take part of the future RSV market which, like the flu market, is expected to be large enough for several players.

Compelling data leads the way

In September 2021, we reported that MVA-BN RSV had met its primary endpoint in a clinical Phase 2 double-blinded, placebo-controlled trial, which enrolled healthy adult volunteers, 18-50 years of age who were randomized to receive either a single vaccination of MVA-BN RSV or placebo. Volunteers were challenged intranasally with an RSV type A strain 28 days after vaccination. A total of 61 subjects were evaluable. The study, demonstrating a statistically significant reduction in viral load in vaccinated versus control (placebo) treated volunteers. Further, the vaccine demonstrated an efficacy of up to 79% in preventing symptomatic RSV infections.

We have previously reported strong results from a Phase 2 trial of MVA-BN RSV in 421 subjects aged 55 years and older, demonstrating that the vaccine was well-tolerated and induced both broad and durable antibody and T-cell responses against RSV, as well as mucosal immune responses that may be important for protection against RSV. The Phase 2 program in older adults included a revaccination of subjects after one year, following which the immune responses were rapidly and significantly increased, notably in subjects with the weakest immunity prior to the booster vaccination[3].

Clinical trials to-date have furthermore shown MVA-BN RSV to be safe and well tolerated as previously observed for MVA-BN or other recombinant MVA-BN based vaccines.

[1] Falsey AR, Hennessey PA, Formica MA, Cox C, Walsh EE. Respiratory syncytial virus infection in elderly. and high-risk adults. N Engl J Med. 2005 Apr 28;352(17):1749–59.
[2] www.resvinet.org/uploads/2/2/2/7/22271200/abstract_booklet_rsvvw21.pdf.
[3] Jordan E. et al. 2010. J. Infect, Dis. 28:223(6). 1062-1072.

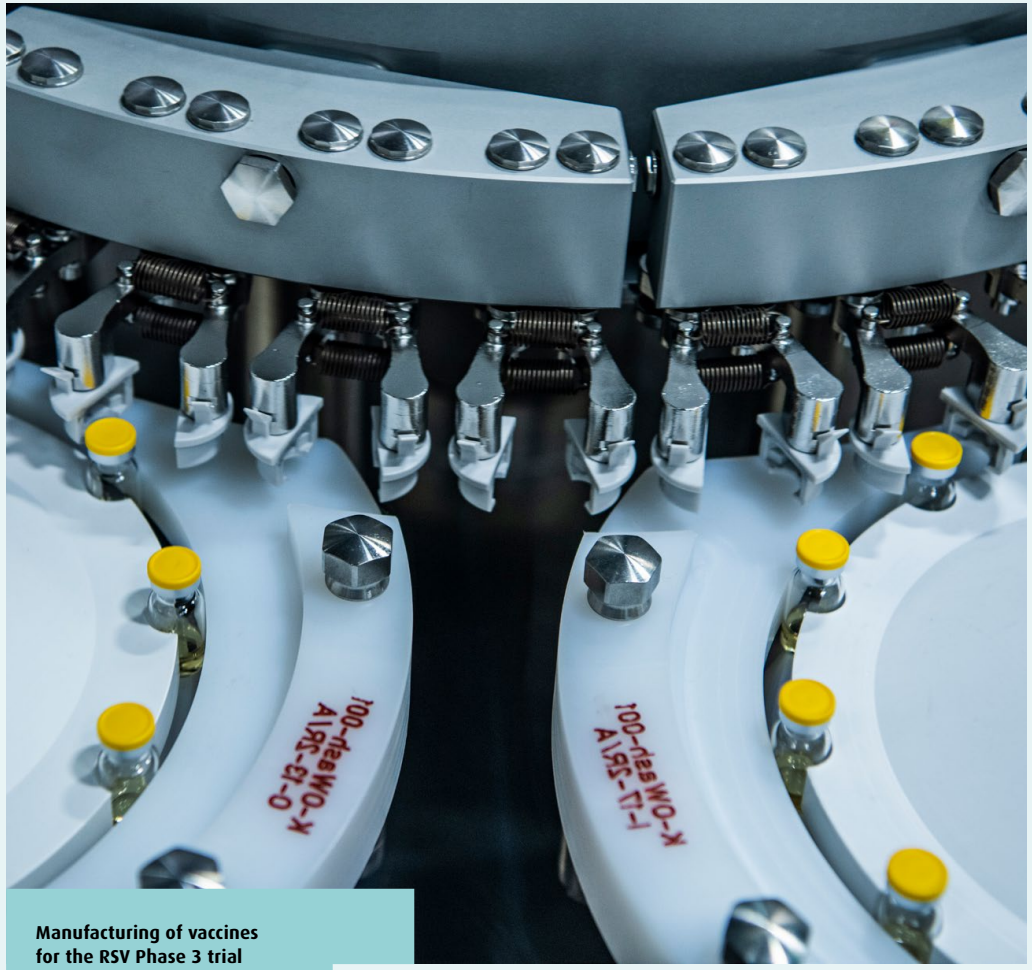
Commercial partnering strategy

To ensure optimal conditions for global commercialization of the RSV vaccine, it has always been our strategy to seek one or more commercial partners. Given the competitive landscape, a short time-to-market is of the essence, and for that reason we have decided to initiate a self-funded Phase 3 trial. The initial go-alone strategy provides flexibility and accelerates the time to market, but ultimately, we need one or more partners to commercialize the vaccine once approved.

Next steps: Phase 3 to start in 2022

We have worked full speed to prepare for initiation of a pivotal Phase 3 trial of MVA-BN RSV in the first half of 2022. Manufacturing of vaccines for the trial has been completed and we have engaged a contract research organization to conduct the trial, which is expected to enroll up to 20,000 subjects and run over the course of one year. The total estimated cost of the global study is approximately USD 250 million, including follow-up phases in 2023 and 2024. Initial Phase 3 results are expected to be available around mid-2023.

The primary endpoint of the Phase 3 trial is the occurrence of lower respiratory tract disease (LRTD) events associated with RSV compared to placebo, which is a different endpoint compared to the human challenge study. To meet the endpoint in Phase 3, the presence of a T-cell response is expected to play an essential role for viral clearance, which is one of the differentiating factors. The incorporation of five RSV-specific antigens into MVA-BN-RSV can stimulate a broad antibody and cellular immune response, which includes RSV-specific CD8 T cells and CD4 T helper cells that are believed to help protecting against severe RSV disease.



Manufacturing of vaccines for the RSV Phase 3 trial was completed in 2021.

Develop innovative life-saving vaccines

Developing a universal booster for COVID-19

When the COVID-19 pandemic ends most experts agree that society will have to learn to live with the disease and vaccines will continue to play an important role. While the currently approved vaccines have taken vaccine sales to their highest levels ever, the future COVID-19 vaccine market could belong to new and improved products, that offer sustained protection and broader efficacy without the need to adapt to new variants.

ABNCoV2 – the Bavarian booster

A differentiated approach with unique features and potential to address a post-pandemic demand for COVID-19 vaccines.

By March 2022, more than ten COVID-19 vaccines have been approved across the globe, and more are still in development. Despite high vaccination rates in many Western countries, the number of COVID-19 cases rose significantly over the winter 2021/2022, also in people who were vaccinated (so-called breakthrough infections). This, together with the emergence of new variants, has highlighted the need for continued improvements in vaccine development.

Our vaccine candidate, ABNCoV2, is being developed as a universal booster vaccine, i.e., it is intended for use as a booster to any other type of COVID-19 vaccine. The goal is to create a longer-lasting vaccine protection with broader efficacy that obviates the need for continuously adapting to new variants of the SARS-CoV-2 virus.

We have finalized the Phase 2 clinical development and are now looking to initiate a pivotal Phase 3 study later in 2022, which could lead to regulatory approvals in 2023. As a latecomer, we do not expect our vaccine to help fight the current pandemic, but to play an important role in the future prevention of COVID-19, which is predicted to be an annual multi-billion-dollar market.

Looks like a virus, but is not

Long before COVID-19, scientists at the University of Copenhagen had worked with the VLP-platform (virus-like particle) to develop a novel malaria vaccine. The technology was later transferred to and refined by AdaptVac, a Danish biotech company established as a

Our goal is to develop a universal booster vaccine against COVID-19 that offers sustained protection and broader efficacy without the need to adapt to new virus variants.

joint venture between Expres2ion Biotechnologies and NextGen Vaccines (spin-out from the University of Copenhagen). When the SARS-CoV-2 virus emerged, it was assessed that VLP could be a feasible platform for developing a COVID-19 vaccine and supported by the university and grants from EU and Danish foundations, AdaptVac and Expres2ion immediately started working on the vaccine candidate, now known as ABNCoV2.

We licensed the vaccine from AdaptVac in 2020 and have since assumed the responsibility for further clinical development of the vaccine.

As the name suggests, VLPs are particles or molecules, which resemble a virus, but are not infectious as they contain no viral genetic material. This is a well-known technology that is used in several approved vaccines, including vaccines for the human papillomavirus (HPV) and hepatitis B.

Simply put, ABNCoV2 consists of an empty protein shell (a capsid) which is mounted with numerous proteins (SARS-CoV2 Receptor Binding Domain) on the surface to mimic the density and pattern of that of a real SARS-CoV-2 virus. The combination of a high density of proteins on the surface and the pattern of these will induce a fast and strong immune response in the vaccinated person without the risk of creating an infection.

Another great advantage of the VLP technology is its stability at higher temperatures, which could provide significant benefits over current COVID-19 vaccines during transportation and storage.

Also, the technology is known for its favorable safety profile, which has also been demonstrated in clinical trials of ABNCoV2 to-date.

Manufacturing

Our manufacturing facility has been tailored to production of live viral vaccines, like MVA-BN, and therefore production of the VLP vaccine cannot be transferred directly. A European contract manufacturer will initially be used for producing the active ingredient of the vaccine, while fill and finish will take place at our own facility.

A fully funded development program

Several funding mechanisms had been put in place by governments and international vaccine initiatives during the first wave of the epidemic in 2020, as it became clear that the high infectivity from the SARS-CoV-2 virus combined with lack of immunity in the general population and severity of disease, particularly in older people and people with weakened immune systems, would require vaccines to help combat the disease.

However, at the time of entering the license agreement with AdaptVac in July 2020, most of the available funding had already been granted to other and more advanced vaccine programs, and particularly the U.S. government's "Operation Warp Speed" initiative with more than USD 10 billion in budget for vaccine development had given a handful of companies a head start in the development.

AdaptVac and its partners in the PREVENT-nCoV consortium had received a grant from EU under the Horizon 2020 program, but only to advance ABNCoV2 into a Phase 1 clinical trial, which was initiated in March 2021. This coincided with our announcement of additional and very encouraging preclinical results, which led to our decision to invest in a larger Phase 2 clinical trial and scale-up manufacturing in preparation for further clinical development towards licensure.

During the next months, we were in discussions with Danish authorities about funding to complete the development and manufacturing setup of the vaccine, and in August 2021, we signed an agreement with the Danish Ministry of Health, securing funding to support the development of ABNCoV2 through licensure. The agreement is valued at up to DKK 800 million, with the vast majority being contingent upon reaching a number of predefined milestones including among others completion of the Phase 2 trial, Phase 3 development milestones and milestones related to upscaling of manufacturing for commercial production of the vaccine.

The path towards approval

In February 2022, less than a year since initiating the first clinical trial of ABNCoV2, we reported the final results of a Phase 2 trial, enabling us to advance the vaccine into a Phase 3 registration trial later in 2022.

The Phase 2 trial was designed to investigate the ability of ABNCoV2 to boost immunity in seropositive subjects, i.e. previously vaccinated with approved mRNA or adenovirus-based vaccines. Subjects were enrolled into two groups who received either a 50µg or a 100µg booster dose of ABNCoV2. The study also included a group of seronegative (non-vaccinated) subjects who received two 100µg doses of ABNCoV2 four weeks apart.

In both groups receiving a booster with ABNCoV2, results showed, that the vaccine boosted the neutralizing antibodies to levels reported to be highly efficacious (>90%) against SARS-CoV-2[1]. A similar fold increase was observed for all SARS-CoV-2 variants of concern tested (Wuhan, Alpha, Beta and Delta) following the booster vaccination with ABNCoV2.

[1] P. B. Gilbert et al., Science 10.1126/science.abm3425 (2021).

Comparing the induced levels of neutralizing titres by also taking into account the starting titre (pre-booster) and/or the time since the last vaccination, it showed a trend for the higher booster dose of ABNCoV2 towards inducing stronger levels of neutralizing titres against SARS-CoV-2.

In the third group who received two doses of ABNCoV2, results confirmed the high neutralizing levels previously reported from the Phase 1 clinical trial, two weeks post second dose, with neutralizing antibody levels against the Wuhan variant elevated to levels reported to be highly efficacious (>90%) against SARS-CoV-2.

The Phase 3 trial will include approximately 4,000 seropositive subjects who will receive a booster vaccination with 100µg ABNCoV2 or an mRNA-based vaccine, aiming to demonstrate non-inferiority of ABNCoV2 to the licensed mRNA vaccine. An overall agreement has been made with regulatory authorities on the trial design, and manufacturing of vaccine bulk for the trial has been completed, pending filling at the Company's own manufacturing line in the near future. is planned for initiation during the first half of 2022 and with anticipated completion before year-end. Based on these assumptions, the vaccine could be launched commercially in 2023.

A post-pandemic market for COVID-19 vaccines

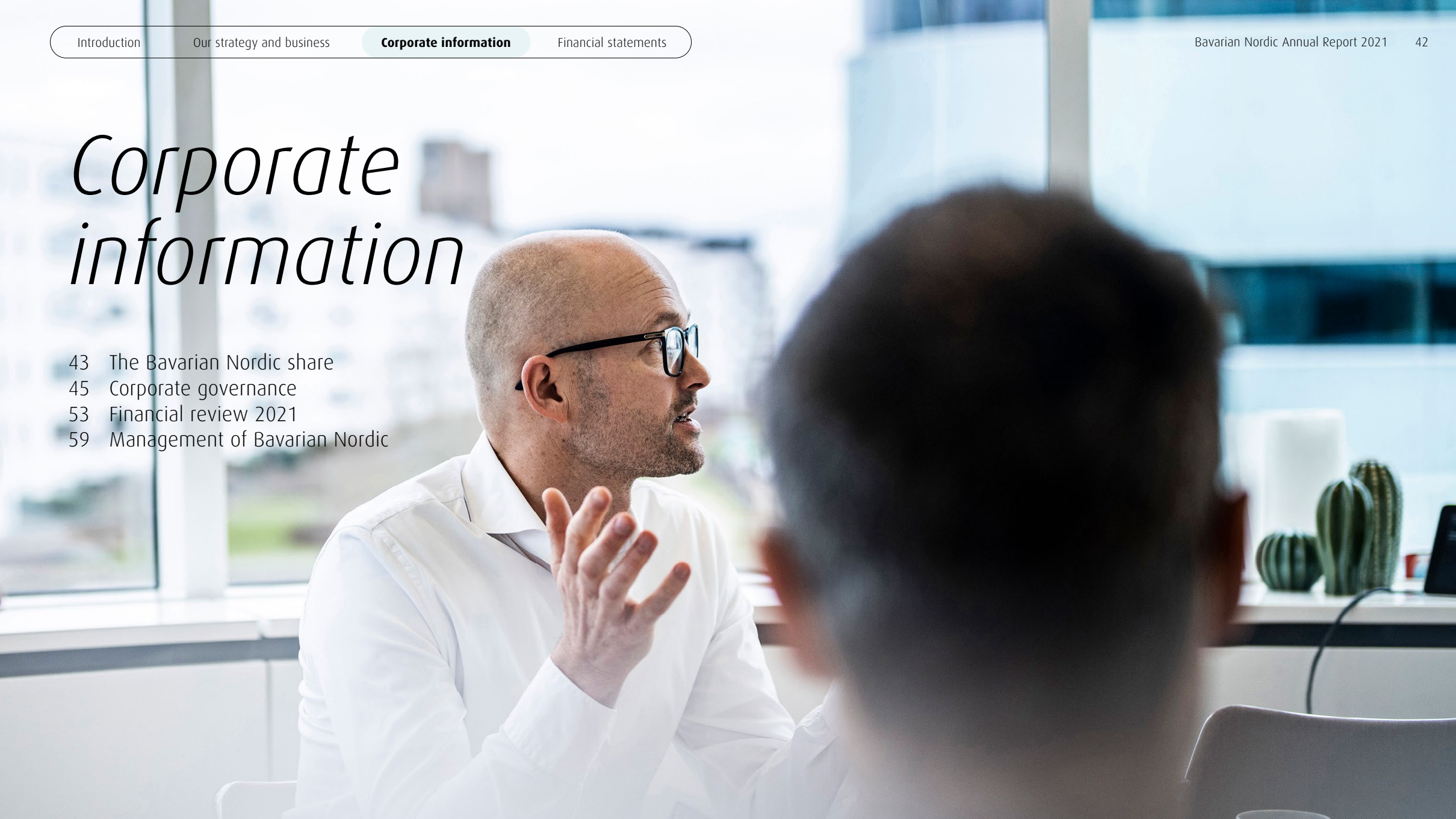
In the winter of 2021/2022, we have seen the highest number of COVID-19 infections since the pandemic started. Combined with the surge of new variants, it is yet uncertain how the pandemic will evolve. It is evident though, that booster vaccinations have been necessary to control the pandemic, as immunity is waning quickly in vaccinated subjects and breakthrough infections have been putting the healthcare systems and society in general under renewed pressure. There is a general perception that booster vaccinations will continue to be required, at least for those at-risk of complications from infections. Also, while more than 10 billion doses have been deployed globally, only around 12%[2] of the population in low-income countries have been vaccinated. leaving a huge obligation for the global society to solve.

The market is expected to change from a pandemic market to an endemic market. Predictions about the future demand for COVID-19 vaccines are many, and only time will tell how the market evolves, but coming from a record-high year in 2021, where COVID-19 vaccines represented an estimated more than USD 60 billion[3] market – the largest market for any drug ever – it is reasonable to believe that this market will continue to dominate for a while. Some analysts believe that the market in 2022 will even continue to grow, driven by an increased demand due to a recurring need for boosters, less-effective vaccines being phased out in favor of improved vaccines, and higher prices, among others.

More conservative estimates see the market declining from the 2021 level, but still predict a multi-billion-dollar market with room for differentiated vaccines many years ahead. These estimates reflect a shift from mass vaccination of entire populations towards vaccination of vulnerable groups as is the case for example with the flu market, where annual booster vaccinations are given. Hence, if Bavarian Nordic succeeds with the development of ABNCoV2 as a universal booster with a better value proposition compared to the already approved vaccines, the Company eyes an opportunity to take a reasonable share of the future COVID-19 vaccine market, initially targeting governments, but over time moving towards a more traditional market for private vaccinations.

[2] www.ourworldindata.org/covid-vaccinations, checked on February 23, 2022.
[3] www.airfinity.com/insights/covid-19-vaccine-market-forecast-to-grow-29-to-usd84-9b-in-2022-according-to.

Corporate information



The Bavarian Nordic share

Bavarian Nordic is listed on the Nasdaq Copenhagen exchange under the symbol BAVA and is included in the OMXC25 index and the Large Cap index (from January 2022).

Share capital

The Company's share capital was DKK 704,683,930 by year-end 2021, comprising 70,468,393 shares with a nominal value of DKK 10 each. Each share carries one vote.

In March 2021, Bavarian Nordic completed a private placement of 5,150,000 new shares, raising gross proceeds of DKK 1,148 million, and in December 2021, a private placement was completed, comprising the issuance of 6,373,680 new shares, raising gross proceeds of DKK 1,708 million. In addition, 494,601 new shares were issued as a consequence of warrant exercise by employees during the year, raising proceeds of DKK 107 million.

By December 31, 2021, there were 3,356,484 outstanding warrants, which entitle warrant holders to subscribe for 3,356,484 shares of DKK 10 each. Thus, the fully diluted share capital amounted to DKK 738,248,770 at year-end, comprising 73,824,877 shares.

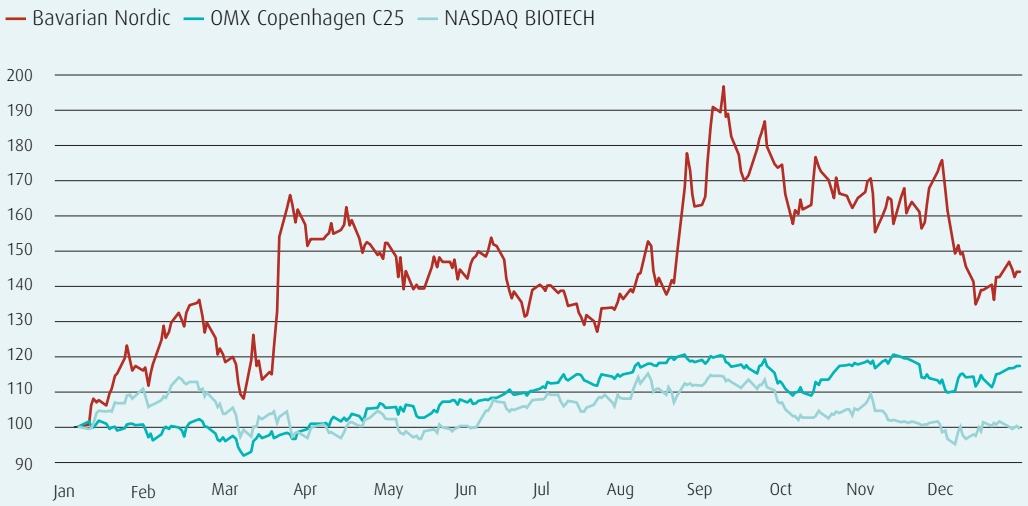
Ownership

In recent years, Bavarian has enjoyed a strong increase in the general awareness and interest in the Company's business and pipeline, not least led by the COVID-19 booster vaccine program. In 2021, this has led to a significant increase in the number of investors of more than 60%. As of December 31, 2021, Bavarian Nordic had 112,689 registered shareholders owning 65,691,429 shares.

The following shareholder had publicly informed Bavarian Nordic that they own five per cent or more of the Company's shares: ATP Group, Hillerød, Denmark, 11.46% as of December 31, 2021.

Bavarian Nordic held 111,227 own shares as treasury shares, corresponding to 0.16% 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.

Share price development compared to indices

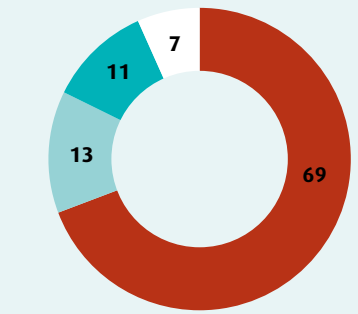


American Depositary Receipts (ADR)

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.

Distribution of share capital

(%)



Financial calendar 2022

March 4, 2022
Annual Report

April 5, 2022
Annual General Meeting

May 9, 2022
Three-month interim report (Q1)

August 24, 2022
Half-year interim report (Q2)

November 9, 2022
Nine-month interim report (Q3)

Annual General Meeting

The Annual General Meeting will be held on Tuesday, April 5, 2022. Additional information will become available on our website 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.

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.

Visit www.bavarian-nordic.com/investor for more information.
Our investor relations team can be contacted on investor@bavarian-nordic.com

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 2021 on the Company's website: www.bavarian-nordic.com/corporategovernance

The Board of Directors

The Board of Directors ("the Board") consists of eleven members: seven external members and four employee representatives. The external members are 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 chair from among its members. The employee representatives are elected by the employees for a four-year term. In 2021, the first election of employee representatives took place, and the members joined the Board with effect from the Annual General Meeting on April 20, 2021.

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.

Board committees

To support the Board in its duties, the Board has established and appointed three subcommittees that are charged with reviewing issues pertaining to their respective fields that are due to be considered at board meetings. More information about the committees, including the terms of reference which specify the tasks and responsibilities for each of the committees are available on the Company's website:

Finance, Risk and Audit Committee
Nomination and Compensation Committee
Science, Technology and Investment Committee

Diversity in the Board

The Board of Directors currently has a representation of two female members elected by the shareholders, thus adhering to the guidelines from the Danish Business Authority on equal gender distribution on the board.

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 Chair 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 chair'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 2021 self-evaluation was facilitated by an external consultant and followed up by one-on-one interviews by the Chair. 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 meeting efficiency will also be a focus area in 2022.

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

In 2020, the Board adopted a Tax Policy describing our governing principles by which we manage our tax affairs. The policy was reviewed and updated in 2021.

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 2021 and subsequently approved by the shareholders at the Annual General Meeting on 20 April 2021.

In accordance with section 139b in the Danish Companies Act, Bavarian Nordic has prepared a Remuneration Report on the remuneration of the individual members of the Board and the Executive Management in 2021.

Business ethics

In 2021, the Company established a Business Ethics Compliance Committee to ensure a corporate oversight with Bavarian Nordic's global business ethics compliance risks. The Committee represents the Executive Management and relevant business functions and meets regularly to review and assess risks, training, and the levels of compliance.

The Company's Code of Conduct was updated in 2021 and made available also to external stakeholders via the Company's website. Likewise, the Company's Ethics Hotline (whistleblower scheme), which has been accessible to employees since 2014, was amended to also allow the Company's external stakeholders to report known or suspected violations.

Data ethics policy

In 2021, the Company carried out a number of initiatives to support our continued commitment to maintain strong data ethics. A number of internal procedures were reviewed and improved, such as data retention policies and deletion procedures to ensure that the Company does not store personal data longer than is strictly necessary, and a series of documented data protection awareness training activities were carried out for all relevant employees.

Bavarian Nordic recognizes that it also has an obligation to ensure the protection of the rights and privacy of employees, patients, customers, healthcare professionals and partners when utilizing new technologies for the processing of data. Therefore, the Board adopted a policy on data ethics based on eight concrete principles which supplements the Company's general procedures and policies for processing of personal data.

The data ethics policy is based on 8 principles:

1. *Our Executive Management is dedicated to ensuring and maintaining a high standard of data ethics*
2. *We ensure accountability for data processing*
3. *We require an appropriate level of data ethics for processing activities carried out by third parties*
4. *We ensure that the processing activities carried out provide value to the data subjects, and is transparent and secure*
5. *We train our employees and monitor processing activities*
6. *We maintain an Ethics Hotline, where violations of data protection laws can be reported by internal and external stakeholders*
7. *We identify and monitor the use of new technologies for processing of data*
8. *We carry out internal controls*

Risk management

Bavarian Nordic's business spans all activities from R&D to production and to commercialization. Our business model covers both partnership business, complex governmental sales and direct sales. By the nature of our business, we are exposed to a variety of risk along our value chain; by our thorough risk process Bavarian Nordic is managing the risks through risk identification, risk monitoring and risk mitigation. The process is an integrated part of the Bavarian Nordic operational procedures and the management processes.

The 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. All risks have assigned Risk owners, normally at the Executive level, and assigned risk responsible employees who monitors and mitigates the risks closely.

The Finance, Risk & Audit Committee (FRAC) is closely monitoring the risks on a quarterly basis, incl. selected deep dives on specific risks. 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
Supply and manufacturing	Disruptions to the supply chain, as caused by supply chain failures, breakdowns in facilities, third party supply and/or manufacturing issues, COVID-19 related delays or similar, could have a significant impact on the ability to supply products at the right time, and could impact both customer relations and financial performance. The currently challenging raw material supply market and the related risks falls under this category.	• Dual sourcing strategies to secure adequate inventory levels. • Adequate inventory for all core components. • 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. • Integrated sales and operations planning process in the monthly planning cadence.

Risk area	Risks	Mitigating actions
Cybersecurity	Disruptions to IT systems can have significant impact in many ways, including inability to communicate or perform operationally, material financial impact or inability to perform commercial sales or perform R&D.	· Focus on staying updated on internal procedures for security monitoring and vulnerability assessment. · Training and awareness campaigns both inside the IT department and within the business. · Continuous development of preventative measures. · Involvement of 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.
Loss of revenue due to COVID-19	Bavarian Nordic has revenue income from vaccines which are considered travel vaccines and another wave of travel restrictions could impact revenue.	· Training of sales reps in virtual selling. · Careful sales and operations planning. · Pursue sales opportunities in markets less exposed to COVID-19 restrictions.

Risk area	Risks	Mitigating actions
Development	The further development of products in the pipeline incl clinical trials, can be delayed or even abandoned. The product approval phase can be delayed or even fail. All clinical material and production facilities require regulatory approval; such approvals can be delayed or even fail. All steps in the above approval or clinical phases are associated with risks and can fail.	· 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.

Risk area	Risks	Mitigating actions
Lack of funding for general operations or development programs specifically	Lack of funds could eventually make it difficult for the Company to pursue the strategy involving among others investments in development and manufacturing facilities. 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.	· Ensure solid financial planning. · Optimize 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. · Strong relations with key existing or potential investors of development. · For ABNCoV2 largely mitigated through governmental funding.

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.	· Follow and monitor the established internal compliance structure and governance related to all operations activity. · Internal legal resources available. · Monitor development in relevant laws and regulations. · Allocation of internal resources to secure adaptation of new rules and regulations.

Risk area	Risks	Mitigating actions
Commercialization and competition	Bavarian Nordic is competing in markets where prices may be determined by the local supply/demand, including products from competitors 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. Pressure from local healthcare politics to reduce costs may impact Bavarian Nordic's pricing or volume. Geopolitical or macroeconomic changes or health crisis, e.g. pandemics, could impact demand, pricing and access to vaccinations. Competitors might develop product candidates with higher potential which could reduce the value of Bavarian Nordic's pipeline and products.	• 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. • Develop early-stage pipeline of new platforms and vaccines to stay competitive.
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.
Attraction and retention of talent	Bavarian Nordic is dependent on the ability to attract and retain talents for many functions. In times of high competition for the right talents or adverse impact on Bavarian Nordic's image, it 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.

Risk area	Risks	Mitigating actions
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 other currencies which Bavarian Nordic is, or could be exposed to, will impact financial positions. 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. • Frequent monitoring of planned cash flows in other currencies allows for hedging when the risk is identified. • 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.

Financial review 2021

The financial review is based on the Group's consolidated financial information for the year ended December 31, 2021, with comparative 2020 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 2021, the Company generated revenues of DKK 1,898 million (DKK 1,852 million) compared to the latest guidance of DKK 1,900 million. The income before interest and taxes (EBIT) was a loss of DKK 314 million (income of DKK 380 million) and EBITDA was an income of DKK 75 million (income of DKK 740 million) compared to latest guided income of DKK 70 million. The guidance used as comparator corresponds to the lower end of the original EBITDA guidance provided for 2021, DKK 100-250 million, due to the COVID-19 impact on the TBE and rabies vaccine markets as well as the effect of the decision to move RSV into Phase 3 in 2022, DKK 30 million.

Securities, cash and cash equivalents as of December 31, 2021, amounted to DKK 3,717 million (DKK 1,670 million). The total amount includes a repo loan position of DKK 500 million; The net cash and cash equivalent position is hence 3,217 million compared to a guidance of DKK 1,400 million, which included a EUR 30 million/DKK 223 million undrawn facility from the European Investment Bank (EIB). The year-end cash position has increased due to the capital increase of DKK 1,700 million in December 2021 and by December 31, 2021, the EUR 30 million credit facility from EIB remained undrawn.

Income statement

Revenue

Revenue for the year was DKK 1,898 million (DKK 1,852 million). Revenue from Rabipur/RabAvert and Encepur decreased by DKK 214 million compared to 2020. Sale, especially in Europe, was significantly impacted by COVID-19.

Revenue from sales of goods was DKK 1,863 million (DKK 1,623 million) composed of sale of Rabipur/RabAvert of DKK 506 million (DKK 628 million), Encepur of DKK 363 million (DKK 455 million), sale of smallpox bulk drug substance batches and liquid frozen finished products to the U.S. Government of DKK 644 million (DKK 541 million), DKK 90 million (DKK 0 million) from sales of smallpox vaccines to a few European countries, and DKK 260 million (DKK 0 million) sales of Mvabea (Ebola) to Janssen.

Revenue from ongoing contract work amounted to DKK 35 million (DKK 162 million) mostly related to revenue from the U.S. Biomedical Advanced Research and Development Authority (BARDA) to support qualification of the new fill and finish facility.

In the Parent Company revenue was DKK 40 million higher than in the Group due to internal sales related to RabAvert sales in the US and Rabipur and Encepur sales in Switzerland.

Production costs

Production costs amounted to DKK 1,328 million (DKK 1,195 million). Costs related directly to revenue amounted to DKK 562 million (DKK 689 million) of which cost of goods sold totaled DKK 540 million (DKK 585 million).

Other production costs totaled DKK 493 million (DKK 233 million) of which net write-downs of inventory totaled DKK 171.6 million (DKK 25.2 million). The increased inventory write-down is a consequence of the lower Rabipur/RabAvert and Encepur sales due to the COVID-19 impact. For 2020 other production costs also included a write-down of obsolete products related to the distribution switch of Encepur and Rabipur/RabAvert from GlaxoSmithKline.

In Q1 the production plant was utilized for production of RSV Phase 3 clinical trial material, which gave a much lower utilization of the commercial manufacturing capacity leading to low absorption of indirect production costs causing higher other production costs. Since August 2021, the current bulk manufacturing facility has been shut down due to the ongoing expansion of the drug substance facility for future production of Rabipur/RabAvert and Encepur, therefore no absorption of indirect production costs for this part of the production facility leading to increased other production costs for 2021.

The product rights to Rabipur/RabAvert and Encepur are amortized over 20 years, on a straight-line basis, 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 192 million (DKK 286 million) split between costs for distribution of products of DKK 16 million (DKK 113 million) and costs for running the commercial organization and activities of DKK 176 million (DKK 173 million). In 2020 GSK handled the sale and distribution of Rabipur/RabAvert and Encepur for which the Group paid a distribution fee based on the revenue incurred, leading to much higher distribution costs in 2020 compared to 2021.

Research and development costs

The total research and development spending were DKK 421 million (DKK 446 million). The amount included research and development spend for funded contract costs of DKK 22 million (DKK 105 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 399 million (DKK 341 million), see note 6. The increase compared to 2020 was driven by manufacturing of RSV Phase 3 material and initial clinical study cost in preparation for the RSV Phase 3 trial commencing in 2022.

Administrative costs

Administrative costs totaled DKK 293 million (DKK 278 million), an increase of DKK 15 million compared to last year. The increase primarily relates to the ongoing transfer project for Rabipur/RabAvert and Encepur and the impact from the extension of the Executive Management during 2020.

Other operating income

Other operating income for 2020 related to the sale of the Priority Review Voucher, DKK 628 million. No other operating income was recognized in 2021.

EBIT/EBITDA

Income before interest and tax (EBIT) was a loss of DKK 314 million (income of DKK 380 million).

EBITDA was an income of DKK 75 million (income of DKK 740 million). Amortization of product rights related to Rabipur/RabAvert and Encepur amounted to DKK 273 million (DKK 273 million) whereas depreciation and impairment losses on other fixed assets amounted to DKK 115 million (DKK 87 million).

Financial income and financial expenses

Financial income was DKK 50 million (DKK 98 million) and consisted of adjustment of deferred consideration to GlaxoSmithKline due to change in estimated timing of payments, DKK 32 million (DKK 68 million), currency adjustments on deferred consideration due to decreased EUR/DKK rate during 2021, DKK 2 million (DKK 12 million), interest on repo transactions DKK 2 million (DKK 0 million), interest income on securities of DKK 11 million (DKK 9 million), and a net foreign exchange gain of DKK 3 million (net loss of DKK 19 million).

Financial expenses were DKK 191 million (DKK 196 million) and consisted of unwinding of the discount related to deferred consideration, DKK 134 million (DKK 145 million), interest expense on debt of DKK 18 million (DKK 32 million), and negative fair value adjustments on securities of DKK 39 million (net gain of DKK 7 million).

The net value adjustment of deferred consideration to GSK was an expense of DKK 100 million (DKK 65 million), consisting of the three components described above.

In the Parent financial statements, the financial income was DKK 82 million (DKK 120 million) and included interests on receivables from subsidiaries of DKK 23 million (DKK 22 million). The financial expenses were DKK 192 million (DKK 198 million).

Income before company tax was a loss of DKK 454 million (income of DKK 282 million).

Tax on income for the year

Tax on the income for the year was an expense of DKK 10 million (DKK 4 million) and related primarily to taxes paid in Bavarian Nordic GmbH and Bavarian Nordic Inc. The parent company had a net loss for the year of DKK 347 million, but a taxable income of DKK 0 million reached by increasing the tax assets. Since further tax assets have been built up during the year and the decision to start two costly phase 3 studies in 2022 Management assesses that the deferred tax asset should remain at DKK 0 million on the balance sheet. Following the tax position in the parent company the effective tax rate for the Group was negative by 2.3% (positive 1.6%). 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 loss for the year of DKK 465 million (net profit of DKK 278 million).

Liquidity and capital resources

As of December 31, 2021, the Company had cash and cash equivalents of DKK 592 million (DKK 285 million), held investments in securities of DKK 3,125 million (DKK 1,384 million) and had a repo loan position of DKK 500 million. The net securities and cash position amounted to DKK 3,217 million (DKK 1,670 million). The Company also maintained unutilized credit lines of DKK 243 million (DKK 243 million) as of such date.

Cash flows

Cash flow from operating activities totaled a net spend of DKK 359 million (net contribution of DKK 572 million, mainly from the sale of the priority review voucher) despite a positive EBITDA of DKK 75 million (DKK 740 million), primarily driven by an increase in trade receivables following substantial revenue recognized in December 2021.

Cash flow spend on investment activities totaled DKK 2,877 million (DKK 1,912 million) and included DKK 372 million (DKK 394 million) in milestone payments to GlaxoSmithKline and DKK 483 million (DKK 223 million) of investments in property, plant and equipment primarily related to the ongoing expansion of the drug substance facility for future production of Rabipur/RabAvert and Encepur. Investment in other intangible assets amounted to DKK 203 million (DKK 90 million) and included the ongoing Rabipur/RabAvert and Encepur technology transfer project, DKK 87 million, and capitalized costs related to the ABNCoV2 development asset, DKK 108 million. The net investment in securities amounted to DKK 1,779 million (net investment of DKK 1,202 million) following the completion of two capital increases in 2021 with a combined net proceed of DKK 2.8 billion.

Cash flow from financing activities was a contribution of DKK 3,536 million (DKK 1,335 million) split between net proceeds from capital increases DKK 2.8 billion, ABNCoV2 funding from Danish Ministry of Health DKK 160 million, proceeds from warrant exercise DKK 107 million and a repo position of DKK 500 million.

The net cash flow for 2021 was positive by DKK 301 million (DKK 5 million negative).

Balance sheet

The balance sheet total was DKK 12,089 million as of December 31, 2021 (DKK 8,759 million).

Assets

Intangible assets stood at DKK 5,804 million (DKK 5,291 million) with the main asset being the product rights to Rabipur/RabAvert and Encepur of DKK 4,913 million (DKK 5,186 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.

Acquired rights and development in progress relates to the development of ABNCoV2 stood at DKK 734 million (DKK 30 million). The asset includes the upfront payment to AdaptVac of DKK 30 million, the net present value of probable future sales and development milestones DKK 596 million (further described below under 'Liabilities') and capitalization of development costs for running the ongoing Phase 2 study DKK 108 million. For further description of the asset and the accounting policy see note 16.

Property, plant and equipment stood at DKK 1,413 million (DKK 1,011 million) and included asset under construction of DKK 579 million (DKK 213 million). Assets under construction relates mainly to the ongoing expansion of the drug substance facility for future production of Rabipur/RabAvert and Encepur, DKK 479 million. The fill and finish manufacturing facility completed in 2021 and the depreciation of the fill and finish building and equipment commenced.

Inventories stood at DKK 480 million (DKK 521 million), of which the inventory of Rabipur/RabAvert and Encepur products amounted to DKK 305 million (DKK 308 million) as per December 31, 2021. As a result of the continuing negative sales impact from the COVID-19 pandemic Management assesses that some products will likely expire in 2022 due to limited remaining shelf life. A write-down of DKK 172 million was recorded during 2021.

Receivables stood at DKK 557 million (DKK 190 million), of which trade receivables amounted to DKK 382 million (DKK 139 million) and prepayments amounted to DKK 109 million (DKK 14 million). The increase in trade receivables compared to year-end 2020 relates to sale of Mvabea (Ebola vaccine) to Janssen and Jynneos to U.S. Government recognized in December 2021.

Prepayments relates mainly to the ABNCoV2 activity. Production of drug substance for clinical trial materials for the planned Phase 3 study for ABNCoV2 is taking place at a CMO. As part of the agreement the Company has prepaid for purchase of materials, DKK 97.4 million as per December 31, 2021. Once the materials have been consumed in the production of the Phase 3 clinical trial materials, the prepayments will be deducted, and the costs capitalized as development costs (see further in note 16).

As of December 31, 2021, cash and securities stood at DKK 3,717 million (DKK 1,670 million). The increase follows the two capital increases, the repo position and the funding from the Danish Ministry of Health. The cash and funding position for 2022 is assessed as satisfactory.

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 result for the year, equity stood at DKK 7,375 million (DKK 4,894 million). Net proceeds from the two capital increases amounted to DKK 2.8 billion and warrant exercise amounted to DKK 107 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 2,551 million (DKK 2,823 million), a decrease of DKK 272 million compared to December 31, 2020. Three milestones in a total of DKK 372 million were paid to GlaxoSmithKline during 2021. 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 100 million (DKK 65 million).

The deferred consideration to GlaxoSmithKline 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, 2021.

Under the terms of the license and collaboration agreement concluded with AdaptVac July 2020, the Company is committed to payment of potential future development and sales milestones and tiered royalties.

Based on the positive data from the ABNVoC2 Phase 1/2 study conducted by AdaptVac and the positive topline results from the Company's ongoing ABNVoC2 Phase 2 study Management assesses that the likelihood of future regulatory approval of the ABNVoC2 vaccine is high, hence some of milestone payments to AdaptVac are expected to become payable. The net present value of the probable milestone payments amounts to DKK 596 million and has been recognized as deferred consideration. A corresponding asset is recognized under the ABNCoV2 development project, see description above under 'Assets' and note 25.

In August 2021, the Company entered a funding agreement with the Danish Ministry of Health to further advance the development of ABNCoV2. The agreement is valued at up to DKK 800 million and aims to support the completion of the development towards licensure of ABNCoV2 as a booster vaccine.

Under the agreement, Bavarian Nordic is entitled to an upfront payment of DKK 80 million, in addition to payments of up to DKK 720 million, which are contingent upon reaching a number of predefined milestones. All payments are potentially subject to repayment, however only upon successful approval and achievement of a certain level of commercial success. Half of the repayments shall be paid by delivery of vaccines to the Danish Ministry of Health whereas the remaining part of the repayments can be settled in either royalty payments from the sale of the vaccine to other customers or by delivery of further vaccines. As per December 31, 2021, the Company has received the upfront payment of DKK 80 million and one development milestone of DKK 80 million. The funding has been recognized as prepayment and loan from Government. See further description in note 26.

As of December 31, 2021, debt to credit institutions amounted to DKK 893 million (DKK 395 million) and included the European Investment Bank loan of DKK 372 million (DKK 372 million), a repo position of DKK 500 million (DKK 0 million) and a mortgage loan of DKK 21 million (DKK 23 million).

Management of Bavarian Nordic

Board of Directors

Gerard van Odijk, MD, Chair

Independent advisor for the pharmaceutical industry and former president and chief executive officer of Teva Pharmaceuticals Europe B.V.

Chair of the supervisory board of Hubrecht Organoid Technology. Member of the supervisory board of Centre for Human Drug Research.

Special competences: Medical qualifications and extensive executive background within publicly traded and private companies in the international healthcare industry.

Anders Gersel Pedersen, MD, PhD, Deputy chair

Former Executive Vice President of Research & Development of H. Lundbeck A/S.

Member of the board of Genmab A/S, Hansa Biopharma AB and Bond Avillion 2, an entity of Avillion LLP. Chair of the board of Aelis Farma.

Mr. Gersel is also the CEO of his private holding company Gerselconsult ApS.

Special competences: Scientific knowledge and large drug development experience within neuroscience and oncology. Extensive board and management experience from publicly traded, international pharmaceutical and biotech companies.

Erik Gregers Hansen, MSc

Professional board member.

Chair of the board of Polaris Management A/S and Sirius Holding ApS. Deputy chair of the board of Lauritzen Fonden, Okono A/S, 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, Wide Invest ApS and Bagger-Sørensen Fonden. Member of the executive board of Rigas Holding ApS and its two subsidiaries, Sirius Holding ApS, Tresor Asset Advisers ApS, Polaris Invest II ApS and EGH Gentofte ApS.

Special competences: Finance, investment and risk management experience and thorough understanding of managing finance operations. Board experience with publicly traded companies.

Peter Kürstein, MBA

Former President and Chief Executive Officer and Chair of Radiometer Medical ApS.

Chair of the board of Ferrosan Medical Devices Holding A/S. Deputy chair 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: Extensive board and management experience from publicly traded, international healthcare companies.

Board of Directors (continued)

Frank Verwiel, MD, MBA

Former President and Chief Executive Officer of Aptalis Pharma, Inc.

Chair of the board of ObsEva SA and Intellia Therapeutics, Inc.

Special competences: Extensive strategic, operational and international experience within the pharmaceutical industry.

Elizabeth McKee Anderson, MBA

Former worldwide Vice President, Global Strategic Marketing and Market Access, Infectious Diseases and Vaccines for Johnson & Johnson. Former member of Huntsworth plc, and Context Therapeutics LLC.

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.

Special competences: Extensive strategic, operational and international experience within the pharmaceutical industry.

Anne Louise Eberhard, MSc. Law, and BSc Informatics and Management Accounting

Former Senior Executive Vice President and Global Head of Corporate & Institutional Banking of Danske Bank A/S, and Chief Commercial Officer at Intrum AB.

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, VL 52 ApS and Oterra A/S, its holding company Spring TopCo DK ApS, and three other group companies. Chair of the board of Moneyflow Group A/S and its subsidiary Moneyflow 1 A/S. Deputy chair of the board of Finansiel Stabilitet SOE. Member of the executive board of EA Advice ApS. Faculty Member at Copenhagen Business School, Board Educations.

Special competences: Extensive finance, risk management and ESG experience as well as board experience from publicly listed companies.

Board of Directors (continued)

Linette Munksgaard Andersen

Manager, Customer Service, Shipping & Distribution.

Employee-elected.

Anja Gjøl

Scientist.

Employee-elected.

Thomas Alex Bennekov

Sr. App. & Integration Analyst.

Employee-elected.

Karen Merete Jensen

QA Specialist.

Employee-elected.

Board of Directors (continued)

Board	First elected	Term expires	Independent	Nationality	Year of birth	Shares held in Bavarian Nordic
Gerard van Odijk, Chair	2008	2022	No[1]	Dutch	1957	28,007
Anders Gersel Pedersen, Deputy chair	2010	2022	Yes	Danish	1951	14,903
Erik G. Hansen	2010	2022	Yes	Danish	1952	62,801
Peter Kürstein	2012	2022	Yes	Danish	1956	17,851
Frank Verwiel	2016	2022	Yes	Dutch	1962	1,601
Elizabeth McKee Anderson	2017	2022	Yes	American	1957	1,601
Anne Louise Eberhard	2019	2022	Yes	Danish	1963	-
Linette Munksgaard, employee-elected	2021	2025	No[2]	Danish	1974	-
Thomas Bennekov, employee-elected	2021	2025	No[2]	Danish	1968	1,313
Anja Gjøl, employee-elected	2021	2025	No[2]	Danish	1980	-
Karen M. Jensen, employee-elected	2021	2025	No[2]	Danish	1959	139

[1] Gerard van Odijk is not considered independent under the Danish corporate governance recommendations due to being a member of the Board for more than 12 years.
[2] Employee-elected members are not considered independent under the Danish corporate governance recommendations.

Board of Directors (continued)

Meeting attendance
Number of meetings attended by each Board member out of the total number of meetings within the member's term

		Board of Directors	Finance, Risk and Audit Committee	Nomination and Compensation Committee	Science, Technology and Investment Committee
Gerard van Odijk	C	●●●●●●●●●●		C ●●●●●●●●	●●●●
Peter Kürstein		●●●●●●●●●●	●●●●●	●●●●●●●●	
Elizabeth McKee Anderson		●●●●●●●●●●			C ●●●●
Anders Gersel Pedersen	DC	●●●●●●●●●●		●●●●●●●●	●●●●
Erik G. Hansen		●●●●●●●●●●	●●●●●		●●●●
Frank Verwiel		●●●●●●●●●●	●●●●●	●●●●●●●●	
Anne Louise Eberhard		●●●●●●●●●○	C ●●●●●		
Karen M. Jensen		○○●●●●●●●●			
Anja Gjøl		○○●●●●●●●●			
Thomas Bennekov		○○●●●●●●●●			
Linette Munksgaard		○○●●●●●●●●			

C: Chair **DC:** Deputy chair ● Meeting attended ○ Meeting not attended ○ Not a Board member at the time

Meetings in 2021

10

Board of Directors

5

Finance, Risk and Audit Committee

7

Nomination and Compensation Committee

4

Science, Technology and Investment Committee

Management of Bavarian Nordic

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

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 2020 from GlaxoSmithKline (GSK), where he served as Vice President and global vaccines commercialization leader and was responsible for global strategic leadership and performance.

Laurence De Moerlooze
Executive Vice President, Chief Medical Officer.

Laurence De Moerlooze, PhD is a Belgian national, born in 1964. She joined Bavarian in 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.

Executive Management (continued)

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 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.

Henrik Birk

Executive Vice President, Chief Operating Officer (departing).

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.

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

Russell Thirsk

Executive Vice President, Chief Operating Officer (appointed as of April 1, 2022).

Russell Thirsk, MSc is a British national, born in 1968. He will join Bavarian Nordic in April 2022, succeeding Henrik Birk. He previously served as Head of Operations at GSK Vaccines in Belgium, a role he assumed after GSK's acquisition of Novartis' vaccine business, where he served for more than two decades, holding leadership roles of increasing responsibility in vaccine manufacturing operations across various geographies.

Financial statements

Contents

Consolidated income statements

For the years ended December 31, 2021 and 2020

DKK thousand	Note	2021	2020
Revenue	3	1,897,875	1,852,383
Production costs	4,8,9	1,327,560	1,195,094
Gross profit		**570,315**	**657,289**
Sales and distribution costs	5,8	191,783	285,783
Research and development costs	6,8,9	399,159	341,420
Administrative costs	7,8,9,10	292,920	278,145
Total operating costs		**883,862**	**905,348**
Other operating income	11	**-**	**627,647**
Income before interest and tax (EBIT)		**(313,547)**	**379,588**
Financial income	12	50,233	97,922
Financial expenses	13	191,116	195,534
Income before company tax		**(454,430)**	**281,976**
Tax on income for the year	14	10,345	4,455
Net profit for the year		**(464,775)**	**277,521**
Earnings per share (EPS) – DKK			
Basic earnings per share of DKK 10	15	(7.4)	5.1
Diluted earnings per share of DKK 10	15	(7.4)	5.1

Consolidated statements of comprehensive income

For the years ended December 31, 2021 and 2020

DKK thousand	Note	2021	2020
Net profit for the year		**(464,775)**	**277,521**
Items that may subsequently be reclassified to the income statement:			
Exchange rate adjustments on translating foreign operations		10,081	(3,082)
Change in fair value of financial instruments entered into to hedge future cash flows		(542)	(3,096)
Other comprehensive income after tax		**9,539**	**(6,178)**
Total comprehensive income		**(455,236)**	**271,343**

Consolidated statements of cash flow

For the years ended December 31, 2021 and 2020

DKK thousand	Note	2021	2020
Net profit for the year		**(464,775)**	**277,521**
Adjustment for non-cash items:			
Financial income	12	(50,233)	(97,922)
Financial expenses	13	191,116	195,534
Tax on income for the year		10,345	4,455
Depreciation, amortization and impairment	9	388,310	360,147
Share-based payment	31	56,857	32,998
Changes in inventories		41,039	(420,320)
Changes in receivables		(364,393)	(88,094)
Changes in current liabilities		(146,007)	345,723
Cash flow from operations (operating activities)		**(337,741)**	**610,042**
Received financial income		6,198	5,847
Paid financial expenses		(24,383)	(40,034)
Paid company taxes		(2,574)	(3,944)
Cash flow from operating activities		**(358,500)**	**571,911**

DKK thousand	Note	2021	2020
Investments in product rights	16, 25	(371,849)	(393,992)
Investments in other intangible assets	16	(203,475)	(89,844)
Investments in property, plant and equipment	17	(483,127)	(222,874)
Investments in financial assets		(39,041)	(2,677)
Investments in securities		(2,115,796)	(2,343,828)
Disposal of securities		336,342	1,141,683
Cash flow from investment activities		**(2,876,946)**	**(1,911,532)**
Payment on loans	27	(2,173)	(1,375,598)
Proceeds from loans	27	660,000	-
Repayment of lease liabilities	28	(19,507)	(17,799)
Proceeds from warrant programs exercised		107,183	15,564
Proceeds from capital increase		2,856,596	2,824,326
Costs related to issue of new shares		(57,438)	(103,184)
Sale of preemptive rights - treasury shares		-	2,664
Purchase of treasury shares		(8,581)	(11,099)
Cash flow from financing activities		**3,536,080**	**1,334,874**
Cash flow of the year		**300,634**	**(4,747)**
Cash and cash equivalents as of January 1		285,487	297,545
Currency adjustments		5,699	(7,311)
Cash and cash equivalents as of December 31		**591,820**	**285,487**

Consolidated statements of financial position – Assets

December 31, 2021 and 2020

DKK thousand	Note	2021	2020
Non-current assets			
Product rights		4,912,830	5,185,765
Acquired rights and development in progress		733,770	29,813
Software		22,985	17,631
Intangible assets in progress		134,371	57,543
Intangible assets	16	**5,803,956**	**5,290,752**
Land and buildings		345,953	366,232
Leasehold improvements		10,011	3,713
Plant and machinery		254,530	204,664
Fixtures and fittings, other plant and equipment		223,467	223,238
Assets under construction		578,707	213,309
Property, plant and equipment	17	**1,412,668**	**1,011,156**
Right-of-use assets	18	**75,843**	**71,987**
Other receivables	21	4,778	4,122
Prepayments	22	38,385	-
Financial assets		**43,163**	**4,122**
Total non-current assets		**7,335,630**	**6,378,017**

DKK thousand	Note	2021	2020
Current assets			
Inventories	19	**480,043**	**521,082**
Trade receivables	20	381,624	139,292
Other receivables	21	66,517	37,334
Prepayments	22	108,840	13,732
Receivables		**556,981**	**190,358**
Securities	24	3,124,795	1,384,120
Cash and cash equivalents		591,820	285,487
Securities, cash and cash equivalents		**3,716,615**	**1,669,607**
Total current assets		**4,753,639**	**2,381,047**
Total assets		**12,089,269**	**8,759,064**

Consolidated statements of financial position – Equity and liabilities

December 31, 2021 and 2020

DKK thousand	Note	2021	2020
Equity			
Share capital		704,684	584,501
Treasury shares		(1,112)	(1,077)
Retained earnings		6,588,908	4,246,359
Other reserves		82,187	64,570
Equity		**7,374,667**	**4,894,353**
Liabilities			
Deferred consideration	25	2,569,090	2,464,932
Prepayment and loan from Government	26	160,511	-
Debt to credit institutions	27	18,896	393,268
Lease liabilities	28	57,547	54,201
Non-current liabilities		**2,806,044**	**2,912,401**
Deferred consideration	25	577,667	357,736
Debt to credit institutions	27	874,373	2,174
Lease liabilities	28	21,266	20,422
Prepayment from customers	29	16,904	74,347
Trade payables		263,611	345,320
Company tax		3,743	497
Other liabilities	23	150,994	151,814
Current liabilities		**1,908,558**	**952,310**
Total liabilities		**4,714,602**	**3,864,711**
Total equity and liabilities		**12,089,269**	**8,759,064**

Consolidated statements of changes in equity

December 31, 2021

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, 2021	**584,501**	**(1,077)**	**4,246,359**	**(40,640)**	**(809)**	**106,019**	**4,894,353**
Comprehensive income for the year							
Net profit for the year	-	-	(464,775)	-	-	-	(464,775)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	10,081	-	-	10,081
Change in fair value of financial instruments entered into to hedge future cash flows	-	-	-	-	(542)	-	(542)
Total comprehensive income for the year	**-**	**-**	**(464,775)**	**10,081**	**(542)**	**-**	**(455,236)**
Transactions with owners							
Share-based payment	-	-	-	-	-	38,584	38,584
Warrant programs exercised	4,946	-	126,729	-	-	(24,492)	107,183
Warrant programs expired	-	-	695	-	-	(695)	-
Capital increase through private placement	115,237	-	2,741,359	-	-	-	2,856,596
Costs related to issue of new shares	-	-	(57,438)	-	-	-	(57,438)
Purchase of treasury shares	-	(317)	(8,264)	-	-	-	(8,581)
Transfer regarding restricted stock units	-	282	4,243	-	-	(4,524)	1
Restricted stock units converted to cash bonus at exercise	-	-	-	-	-	(795)	(795)
Total transactions with owners	**120,183**	**(35)**	**2,807,324**	**-**	**-**	**8,078**	**2,935,550**
Equity as of December 31, 2021	**704,684**	**(1,112)**	**6,588,908**	**(30,559)**	**(1,351)**	**114,097**	**7,374,667**

The share capital comprises a total of 70,468,393 shares of DKK 10 as of December 31, 2021 (58,450,112 shares). The shares are not divided into share classes, and each share carries one vote.

Treasury shares

In May 2021, the Board of Directors decided to launch a share buy-back program, under which the Company bought back 31,747 of its own shares (52,397 shares in 2020). 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 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 0.16% (0.18%) of the total share capital.

For further information about share based payment see note 31.

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.

Transactions on the share capital

DKK thousand	2021	2020	2019	2018	2017
Share capital as of January 1	584,501	323,891	323,106	322,451	313,539
Issue of new shares	120,183	260,610	785	655	8,912
Share capital as of December 31	**704,684**	**584,501**	**323,891**	**323,106**	**322,451**

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, 2021. 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 2020 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, 2021.

The Group has adopted the following revised standards and interpretations:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 og IFRS 16, IBOR-reform phase 2
- Amendments to IFRS 4, insurance contracts and postponement of adoption of IFRS 9
- Amendments to IFRS 16, covid-19-related rent concessions

The implementation of new or revised standards and interpretations that are effective from 1 January 2021 has not had a material impact on the consolidated financial statements in 2021. 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 key 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	Key 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 development costs should be expensed or capitalized; assessment whether future sales and development milestones 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 Bavarian Nordic has transferred control of products sold to the buyer and it is probable that Bavarian Nordic 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 Bavarian Nordic expects to receive in exchange for its goods. When sales are recognized, Bavarian Nordic 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, Bavarian Nordic 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 Bavarian Nordic 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. Bavarian Nordic 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. 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 licences 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 licences 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.

Bavarian Nordic 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

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	2021	2020
MVA-BN smallpox vaccine sale	733,593	540,769
Rabipur/RabAvert	505,769	627,699
Encepur	363,054	455,012
Other product sale	260,225	-
Sale of goods	**1,862,641**	**1,623,480**
Milestone payments	-	66,553
Contract work	35,234	162,350
Sale of services	**35,234**	**228,903**
Revenue	**1,897,875**	**1,852,383**
Total revenue includes:		
Fair value adjustment concerning financial instruments entered into to hedge revenue	(7,072)	13,146
Geographic split of revenue:		
USA	1,066,799	1,139,080
Belgium	264,410	4,358
Germany	258,288	356,826
The Netherlands	78,173	96,029
Sweden	33,475	47,240
Austria	28,040	31,235
Switzerland	24,142	36,138
Japan	24,110	21,060
United Kingdom	16,975	23,069
Other geographic markets	103,463	97,348
Revenue	**1,897,875**	**1,852,383**

Other product sale for 2021 consist of the Company's sale of Mvabea (Ebola vaccine) to Janssen.

In 2021 revenue achieved on the Danish market amounted to DKK 0 million (DKK 4.4 million).

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

- Biomedical Advanced Research and Development Authority (BARDA), USA, DKK 675.3 million (DKK 666.8 million).
- Janssen Pharmaceuticca NV, Belgium, DKK 260.2 million (DKK 0 million).

Note 3

Revenue (continued)

Accounting for contract with Biomedical Advanced Research and Development Authority (BARDA)
In April 2020 BARDA placed a new order 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 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 35 BDS batches, of which 29 BDS batches were manufactured and invoiced in 2021 in concurrence with release of the batches. The remaining 6 BDS batches will be manufactured and invoiced in 2022.

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. Filling of liquid frozen JYNNEOS commenced in 2021, when the new fill and finish manufacturing facility in Kvistgaard had become 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 2021 the remaining funds were recognized as revenue, DKK 15 million (DKK 76 million). 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 6 million (DKK 9 million) has been recognized in revenue for storage during 2021. 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.

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 2020 related to production of a new Master Seed Virus. The full prepayment is recognized in the balance sheet as of December 31, 2021, cf. note 29.

Note 4

Production costs

DKK thousand	2021	2020
Cost of goods sold	539,789	584,574
Contract costs	21,959	104,409
Other production costs	492,877	233,176
Amortization of product rights	272,935	272,935
Production costs	**1,327,560**	**1,195,094**

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 2020 compared to 2021, therefore the decrease in contract costs.

Other production costs amounted to DKK 492.9 million (DKK 233.2 million), of which net write-downs of inventory totaled DKK 171.6 million (DKK 25.2 million). Development in write-downs is further described in note 19. For 2020 other production costs also included a reservation for write-down of obsolete products related to the distribution switch of Encepur Rabipur/RabAvert from GlaxoSmithKline.

In Q1 the production plant was utilized for production of RSV Phase 3 clinical trial material, which gave a much lower utilization of the commercial manufacturing capacity leading to low absorption of indirect production costs causing higher other production costs. Since August 2021, the current bulk manufacturing facility has been shut down due to the ongoing expansion of the drug substance facility for future production of Rabipur/RabAvert and Encepur, therefore no absorption of indirect production costs for this part of the production facility leading to increased other production costs for 2021.

The product rights to Rabipur/RabAvert and Encepur are amortized over 20 years with an annual amortization of DKK 272.9 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.

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	2021	2020
Research and development costs incurred this year	421,118	445,829
Of which:		
Contract costs recognized as production costs (note 4)	(21,959)	(104,409)
Research and development costs recognized in the income statement	**399,159**	**341,420**

Under the Group's accounting policies development costs are generally expensed in the year they occur. During the development of ABNCoV2, the Group has, however, started capitalization of directly related development cost at commencement of the phase 2 studies as – unlike most other development candidates - the feasibility of developing a final vaccine and obtain regulatory approval is considered highly likely, because the development of other COVID-19 vaccine candidates based on the same antigen has been successful. Furthermore, the Group has ensured significant finance of the development through the funding obtained from Danish Ministry of Health and a minimum demand agreed in the agreement with the Danish Ministry of Health. See further description in note 16.

Research and development costs include expenses for external clinical research organizations, or CRO's, of DKK 160.5 million (DKK 121.3 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" in the below tabel 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	2021	2020
Wages and salaries	535,670	434,710
Contribution based pension	44,114	34,993
Social security expenses	21,431	17,686
Other staff expenses	34,510	31,645
Share-based payment, see specification in note 31	57,652	32,998
Staff costs	**693,377**	**552,032**
Staff expenses are distributed as follows:		
Production costs	259,719	213,676
Sales and distribution costs	70,727	51,243
Research and development costs	178,439	150,675
Administrative costs	137,332	115,360
Capitalized salaries	47,160	21,078
Staff costs	**693,377**	**552,032**
Average number of employees converted to full-time	734	607
Number of employees as of December 31 converted to full-time	759	690

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

DKK thousand	2021	2020
Staff costs include the following costs:		
Board of Directors:		
Remuneration	5,202	3,825
Share-based payment	1,950	1,350
Remuneration to Board of Directors	**7,152**	**5,175**
Executive Management:		
Salary	8,661	5,186
Paid bonus	3,956	2,540
Other employee benefits	678	576
Contribution based pension	2,048	-
Share-based payment	9,035	4,011
Corporate Management	**24,378**	**12,313**
Salary	11,630	13,996
Paid bonus	2,946	3,359
Other employee benefits	1,237	1,523
Contribution based pension	1,430	1,674
Share-based payment	7,193	10,591
Salary and benefits in notice period	7,378	-
Other Executive Management	**31,814**	**31,143**
Remuneration to Executive Management	**56,192**	**43,456**
Total management remuneration	**63,344**	**48,631**

Note 8

Staff costs – continued

CEO and President of the Company Paul Chaplin and CFO Henrik Juuel constitute the Corporate Management in the Parent Company. Henrik Juuel became part of Corporate Management in February 2021.

COO Henrik Birk, CPO Anu Kerns, CCO JC May and CMO Laurence De Moerlooze constitute the Other Executive Management. CBO Tommi Kainu resigned by the end of March 2021.

Restricted stock units
In March 2021 Corporate Management was granted 8,833 restricted stock units (excl. matching shares) (0 restricted stock units) at a value of DKK 2.0 million at grant. In 2020 it was agreed with the Board of Directors that the full bonus to Paul Chaplin could be paid out in cash. Other Executive Management was granted 7,580 restricted stock units (excl. matching shares) (8,705 restricted stock units) corresponding to a value of DKK 1.7 million (DKK 2.1 million) at grant.

In April 2021, the members of the Board of Directors were granted in total 7,127 restricted stock units (7,111 restricted stock units) corresponding to 50% of their fixed fee amounting to DKK 2.0 million (DKK 1.4 million).

For further description of restricted stock units see note 31.

Warrants
In November 2021 Corporate Management was granted 137,030 warrants (123,645 warrants) with a fair value of DKK 10.4 million (DKK 5.1 million). Other Executive Management was granted 108,788 warrants (318,438 warrants) with a fair value of DKK 8.3 million (DKK 12.1 million).

Fair value calculated based on Black-Scholes, cf. note 31.

Incentive programs for the Executive Management and other employees are disclosed in note 31.

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	2021	2020
Depreciation and amortization included in:		
Production costs	348,243	311,456
Sales and distribution costs	34	-
Research and development costs	4,718	2,965
Administrative costs	34,697	29,660
Depreciation and amortization	**387,692**	**344,081**
Hereof loss from disposed fixed assets	5,259	3,149
Impairment losses included in:		
Production costs	618	16,066
Impairment losses	**618**	**16,066**

The product rights to Rabipur/RabAvert and Encepur are amortized over 20 years with an annual amortization of DKK 272.9 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 have been written-down.

Note 10

Fees to auditor appointed at the annual general meeting

DKK thousand	2021	2020
Audit of financials statements	2,173	1,500
Other assurance services	105	1,144
Tax advisory	596	411
Other services	392	182
Fees	**3,266**	**3,237**

The fee for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0.6 million (DKK 1.4 million) and consisted of assurance work related to the assistance with compliance reviews, and other accounting and tax advisory services.

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/ DKK 627.6 million.

Note 12

Financial income

DKK thousand	2021	2020
Financial income from bank and deposit contracts	1,739	193
Interest income from financial assets measured at amortized cost	1,739	193
Financial income from securities	11,045	8,756
Fair value adjustments on securities	-	6,783
Adjustment of deferred consideration due to change in estimated timing of payments	32,185	67,719
Currency adjustment deferred consideration	1,677	11,900
Net gains on derivative financial instruments at fair value through the income statement	-	2,571
Net foreign exchange gains	3,587	-
Financial income	**50,233**	**97,922**

§ Accounting policies

Interest income is recognized in the income statement at the amounts relating to the financial year. Financial income also includes net positive value adjustments of financial instruments and securities, adjustment of the net present value of provisions and net currency gains.

Note 13

Financial expenses

DKK thousand	2021	2020
Interest expenses on debt	18,487	31,853
Interest expenses on financial liabilities measured at amortized cost	18,487	31,853
Fair value adjustments on securities	39,056	-
Unwinding of the discount related to deferred consideration	133,573	145,149
Net foreign exchange losses	-	18,532
Financial expenses	**191,116**	**195,534**

§ Accounting policies

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

Note 14

Tax for the year

DKK thousand	2021	2020
Tax recognized in the income statement		
Current tax on profit for the year	8,923	5,217
Adjustments to current tax for previous years	1,422	(762)
Current tax	**10,345**	**4,455**
Deferred tax	-	-
Tax for the year recognized in the income statement	**10,345**	**4,455**
Tax on income for the year is explained as follows:		
Income before company tax	(454,430)	281,976
Calculated tax (22.0%) on income before company tax	(99,975)	62,035
Tax effect on:		
Different tax percentage in foreign subsidiaries	168	(349)
Non-recognized deferred tax asset on current year losses in foreign subsidiaries	32,072	18,421
Income ()/expenses that are not taxable/deductible for tax purposes	(14,649)	(20,412)
Change in non-recognized tax asset	94,020	(54,478)
Adjustments to previous years non-recognized tax asset	(2,713)	-
Adjustments to current tax for previous years	1,422	(762)
Tax on income for the year	**10,345**	**4,455**
Tax recognized in other comprehensive income	**-**	**-**
Tax recognized in equity	**-**	**-**

Tax on income is an expense of DKK 10.3 million (DKK 4.5 million), corresponding to an effective negative tax rate of negative 2.3% (positive 1.6%). The parent company's taxable income for 2021 is zero. Tax expensed in 2021 relates mainly to Bavarian Nordic GmbH and Bavarian Nordic, Inc. (state taxes).

§ 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)

				2021
DKK thousand	January 1, 2021	Recognized in the income statement	Recognized in equity	December 31, 2021
Product rights	(94,360)	83,939	-	(10,421)
Other intangible assets	377	(377)	-	-
Property, plant and equipment	38,342	22,158	-	60,500
Right-of-use assets	373	(3)	-	370
Development projects for sale	32,446	-	-	32,446
Accrued project costs	(181)	181	-	-
Receivables	18	19	-	37
Provisions	17,930	(17,930)	-	-
Financial instruments	178	-	119	297
Share-based payment	15,397	6,726	5,871	27,994
Tax losses carried forward	362,209	(693)		361,516
Not recognized tax asset	(372,729)	(94,020)	(5,990)	(472,739)
Recognized deferred tax assets	**-**	**-**	**-**	**-**

				2020
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 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	**-**	**-**	**-**	**-**

Deferred tax
Recognized deferred tax assets relate to temporary differences between the tax base and accounting carrying

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 361.5 million (DKK 362.2 million), whereas the tax value of non-recognized temporary deductible differences amounts to DKK 101.9 million (DKK 10.5 million). Tax rate used for Danish entities is 22%.

As Bavarian Nordic, Inc. has moved from California to North Carolina 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 intercompany transactions between Bavarian Nordic A/S and Bavarian Nordic, Inc. and Bavarian Nordic Switzerland AG under the Distribution Agreements for sale of Encepur and Rabipur/RabAvert in US and Switzerland, DKK 30.3 million (DKK 14.6 million).

Note 15

Earnings per share (EPS)

DKK thousand	2021	2020
Net profit for the year	(464,775)	277,521
Earnings per share of DKK 10	(7.4)	5.1
Diluted earnings per share of DKK 10	(7.4)	5.1
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)	63,213	54,122
Weighted average number of treasury shares (thousand units)	(109)	(76)
Weighted average number of outstanding ordinary shares used in the calculation of basic earnings per share (thousand units)	63,104	54,046
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)	63,104	54,046
Outstanding warrants that may have an effect on the calculation of diluted earnings per share in the future.		
2021-program	706,469	-
2020-programs	1,207,003	1,310,297
2019-program	625,984	687,467
2018-program	515,684	554,066
2017-programs	223,683	396,601
2016-program	77,661	444,558
Outstanding warrants, cf. note 31	**3,356,484**	**3,392,989**

§ 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 from GlaxoSmith-Kline to assess the value creation expected from the acquisition. The current COVID-19 pandemic has reduced the earnings from the two products significantly, but the latest update of the valuation model still shows a value above the net present value of the purchase price, hence there is no indications of impairment.

As per December 31, 2021 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:

Capitalization of the development costs related to ABNCoV2

Under the Group's accounting policies and in accordance with common industry practice, development costs are generally expensed in the year they occur. During the development of ABNCoV2, the Group has, however, started capitalization of directly related development cost at commencement of the phase 2 studies as – unlike most other development candidates - the feasibility of developing a final vaccine and obtain regulatory approval is considered highly likely, because the development of other COVID-19 vaccine candidates based on the same antigen has been successful. Furthermore, the Group has ensured significant finance of the development through the funding obtained from Danish Ministry of Health and a minimum demand agreed in the agreement with the Danish Ministry of Health.

In the winter of 2021/2022, we have seen the highest number of COVID-19 infections since the pandemic started. Combined with the surge of new variants, it is yet uncertain how the pandemic will evolve. It is evident though, that booster vaccinations have been necessary to control the pandemic. Management assesses that the booster vaccinations will continue to be required, at least for vulnerable groups as is the case for example with the flu market, where annual booster vaccinations are given. Hence, with the development of ABNCoV2 as a universal booster vaccine with a better value proposition compared to the already approved vaccines, Management expects that the Company can take a reasonable share of the future COVID-19 vaccine market, initially targeting governments, but over time moving towards a more traditional market for private vaccinations.

Acquisition of product rights from GlaxoSmithKline

The acquisition of the two product right from GlaxoSmith-Kline did 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 assessed that the acquisition constituted an asset deal and not a business combination. In determining the accounting treatment, Management 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. For further information see note 16 and note 25.

Note 16

Intangible assets (continued)

					2021
DKK thousand	Product rights	Acquired rights and development in progress	Software	Other intangible assets in progress	Total
Costs as of January 1, 2021	5,458,700	29,813	87,587	57,543	5,633,643
Additions	-	703,957	145	96,160	800,262
Transfer	-	-	18,921	(18,921)	-
Transfer to/from property, plant and equipment	-	-	-	(559)	(559)
Disposals	-	-	(6,280)	-	(6,280)
Exchange rate adjustments	-	-	12	148	160
Cost as of December 31, 2021	**5,458,700**	**733,770**	**100,385**	**134,371**	**6,427,226**
Amortization as of January 1, 2021	272,935	-	69,956	-	342,891
Amortization	272,935	-	13,681	-	286,616
Disposals	-	-	(6,257)	-	(6,257)
Exchange rate adjustments	-	-	20	-	20
Amortization as of December 31, 2021	**545,870**	**-**	**77,400**	**-**	**623,270**
Carrying amount as of December 31, 2021	**4,912,830**	**733,770**	**22,985**	**134,371**	**5,803,956**
Geographical split of intangible assets - 2021					
Denmark					5,802,332
Germany					6
USA					1,618
Total intangible assets					**5,803,956**

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 have been on the market for more than 20 years. There is no need to further develop the products. Management assesses 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 assesses that the acquired product rights should be amortized over 20 years.

The acquisition price for the two product rights consists of the upfront payment and the present value of the milestone payments included in the Asset Purchase Agreement with GlaxoSmithKline. 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 also includes a sales milestone of EUR 25 million. The sales milestone is related to the total revenue of the two products. Management deems it unlikely that the sales milestone will be trickered, hence the sales milestone has not been recognized as part of the asset nor the deferred consideration as per December 31, 2021.

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

Note 16

Intangible assets (continued)

Acquired rights and development in progress

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 AdaptVac has been responsible for running a Phase 1/2 open label, dose-escalation trial sponsored by Radhould University Medical Center. The Company has assumed the responsibility for the further clinical development and manufacturing. In July 2021 the Company initiated a Phase 2 trial that completed in December 2021. The Phase 3 trial will be initiated in 2022. At commencement of the Phase 2 trial the Company started capitalization of directly related development cost as the feasibility of developing a final vaccine and obtain regulatory approval is considered highly likely, see further description under "Significant accounting judgements".

The Company made an upfront payment of EUR 4 million to AdaptVac in 2020 when the license agreement was signed. The upfront payment was capitalized and recognized as "Acquired rights and development in progress". The Company has also committed to payment of potential future development and sales milestones and tiered royalties. At year-end 2020 Management assessed that those milestone payments were not probable since no in-human studies had completed, hence milestone payments were not recognized as an asset and a liability as per December 31, 2020. During second half of 2021 positive results were reported for the Phase 1/2 study conducted by AdaptVac confirming the vaccine's ability to induce strong and broad antibody levels, superior to those of the current approved COVID-19 vaccines. In December 2021, the Company announced positive topline results from the ongoing Phase 2 clinical trial. Based on the positive clinical results Management assesses that the likelihood of future regulatory approval of the Company's COVID-19 vaccine is high, hence milestone payments to AdaptVac are expected to become payable. Based on current regulatory plans and expectations for future revenue from sale of the COVID-vacine all sales milestones and part of the development milestones are assumed probable. The net present value of the probable milestone payments, DKK 596 million, has been recognized as part of the "Acquired rights and development in progress" and a corresponding liability has been recognized as deferred consideration (note 25).

Intangible assets in progress

Rabipur/RabAvert and Encepur are currently manufactured by GlaxoSmithKline 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 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, 2021 the capitalized costs amounts to DKK 125.2 million (DKK 38.1 million), recognized as intangible assets in progress. Other intable assets in progress relates to IT investments.

Note 16

Intangible assets (continued)

					2020
DKK thousand	Product rights	Acquired rights and development in progress	Software	Other intangible assets in progress	Total
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**

Other intangible assets in progress include technology transfer from GlaxoSmithKline, described above, and 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)

						2021
DKK thousand	Land and buildings	Leasehold improvement	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
Costs as of January 1, 2021	548,291	14,404	485,024	294,418	213,309	1,555,446
Additions	2,516	597	5,717	11,871	461,867	482,568
Transfer	6,911	7,811	73,155	9,148	(97,025)	-
Transfer from intangible assets	-	-	-	-	559	559
Disposals	(10,946)	(518)	(139,605)	(3,369)	-	(154,438)
Exchange rate adjustments	(1)	(6)	-	111	(3)	101
Cost as of December 31, 2021	**546,771**	**22,288**	**424,291**	**312,179**	**578,707**	**1,884,236**
Depreciation and impairment losses as of January 1,2021	182,059	10,691	280,360	71,180	-	544,290
Depreciation	25,695	2,104	27,572	20,420	-	75,791
Impairment losses	-	-	278	340	-	618
Disposals	(6,936)	(518)	(138,449)	(3,300)	-	(149,203)
Exchange rate adjustments	-	-	-	72	-	72
Depreciation and impairment losses as of December 31, 2021	**200,818**	**12,277**	**169,761**	**88,712**	**-**	**471,568**
Carrying amount as of December 31, 2021	**345,953**	**10,011**	**254,530**	**223,467**	**578,707**	**1,412,668**

Geographical split of property, plant and equipment – 2021

Denmark	1,369,996
Germany	41,775
USA	577
Switzerland	320
Total property, plant and equipment	**1,412,668**

Assets under construction relates mainly the ongoing expansion of the drug substance facility for future production of Rabipur/RabAvert and Encepur (DKK 479 million).

The fill and finish manufacturing facility completed in 2021 and the depreciation of the fill and finish building and equipment commenced.

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 21.1 million are secured by mortgages totaling DKK 50.0 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2021, 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 600.5 million (land and buildings: DKK 346.0 million; plant and machinery: DKK 254.5 million).

Note 17

Property, plant and equipment (continued)

						2020
DKK thousand	Land and buildings	Leasehold improvement	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
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 were transfered to the relevant asset groups, whereas other production equipment was still recognized as 'Asset under construction'.

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 18

Right-of-use-assets

				2021
DKK thousand	Rent facility	Car leasing	Equipment	Total
Right-of-use assets as of January 1, 2021	68,931	2,312	744	71,987
Additions	-	902	768	1,670
Modifications	22,036	(46)	38	22,028
Depreciations	(18,071)	(1,480)	(475)	(20,026)
Exchange rate adjustments	130	54	-	184
Right-of-use assets as of December 31, 2021	**73,026**	**1,742**	**1,075**	**75,843**

				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**

DKK thousand	**2021**	**2020**
Amounts included in the income statement		
Interest expense leases	1,976	1,965
Depreciation recognized on right-of-use assets	20,026	19,313
Cost recognized for short term leases (less than 12 months)	427	2,050

§ **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 28.

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	2021	2020
Raw materials and supply materials	80,243	73,919
Work in progress	79,904	201,601
Manufactured goods and commodities	492,837	309,099
Write-down on inventory	(172,941)	(63,537)
Inventories	**480,043**	**521,082**
Write-down on inventory as of January 1	(63,537)	(104,056)
Write-down for the year	(171,643)	(25,692)
Use of write-down	62,239	65,672
Reversal of write-down	-	539
Write-down on inventory as of December 31	**(172,941)**	**(63,537)**
Cost of goods sold amounts to, cf. note 4	539,789	584,574

The inventory of Encepur and Rabipur/RabAvert products amounted to DKK 305.4 million (DKK 307.5 million) as per December 31, 2021 incl. write-down.

Write-down for the year amounted to DKK 171.6 million and mainly relates to Encepur and Rabipur/RabAvert products following the COVID-19 impact on the sales. Stock that is highly likely to expire in 2022 based on current sales forecast has been written down. The write-down also include a 20% write-down of potential stock expiry in 2023 for Rabipur products.

Use of write-down in 2021 relates to scrap of old PROSTVAC and JYNNEOS batches fully written down prior years.

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 included scrap of old JYNNEOS vials full written down prior years.

§ 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	2021	2020
Trade receivables from smallpox vaccine sale	78,218	-
Trade receivables from Encepur and Rabipur/RabAvert	162,546	121,355
Trade receivables from other product sale	137,731	-
Trade receivables from contract work	3,129	17,937
Trade receivables	**381,624**	**139,292**

			2021
DKK thousand	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables			
Not past due date	374,583	-	374,583
Overdue by 0-3 months	6,936	(139)	6,797
Overdue by 3-6 months	271	(27)	244
Trade receivables	**381,790**	**(166)**	**381,624**

			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**

Credit risk

Bavarian Nordic's customers are predominantly public authorities and renowned pharmaceutical companies and therefore the credit risk is very low. There are overdue receivables as of December 31, 2021 DKK 7 million (DKK 4 million). As of December 31, 2021 a loss allowance of DKK 166 thousand (DKK 80 thousand) has been recognized.

The majority of sales of Encepur and Rabipur/RabAvert 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, Bavarian Nordic 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. Bavarian Nordic monitor the credit exposure on all customers, both new and existing.

Bavarian Nordic 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 Encepur and Rabipur/RabAvert.

The table details 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	2021	2020
Deposits	4,778	4,122
Receivable VAT and duties	55,973	31,486
Derivative financial instruments at fair value	191	606
Interest receivables	10,353	3,767
Other receivables	-	1,475
Other receivables	**71,295**	**41,456**
Classified as:		
Non-current assets	4,778	4,122
Current assets	66,517	37,334
Other receivables	**71,295**	**41,456**

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	2021	2020
Incurred project costs related to subsequent years	-	824
Prepayments to CMO's	135,750	-
Other prepayments	11,475	12,908
Prepayments	**147,225**	**13,732**
Classified as:		
Non-current assets	38,385	-
Current assets	108,840	13,732
Prepayments	**147,225**	**13,732**

Production of drug substance for clinical trial materials for the planned Phase 3 study for ABNCoV2 is taking place at a CMO. As part of the agreement the Company has prepaid for purchase of materials (DKK 97.4 million as per December 31, 2021). Once the materials have been consumed in the production of the Phase 3 clinical trial materials, the prepayments will be deducted and the costs be capitalized as development costs (see further in note 16).

This CMO will also be producing drug substance for future commercial ABNCoV2 products and the scale up actitivies has already started. Costs related to the scale up activities are recognized as prepayments and will be recognized as inventory in concurrence with future purchase of products from the CMO. As per December 31, 2021 DKK 21.8 million has been recognized as non-current prepayments.

Part of the technology transfer of the production and packaging activities for Encepur and Rabipur/RabAvert takes place at CMO's (filing of Encepur, labelling and packing). Costs related to the technology transfer activities are recognized as prepayments and will be recognized as inventory in concurrence with future purchase of services from the CMO's. As per December 31, 2021 DKK 16.6 million has been recognized as non-current prepayments.

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	2021	2020
Financial instruments at fair value	1,351	1,414
Liability relating to phantom shares	23,917	4,849
Payable salaries, holiday accrual etc.	68,491	101,229
Gross to net deduction accrual	37,134	26,355
Other accrued costs	20,101	17,967
Other liabilities	**150,994**	**151,814**

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 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 31.

§ **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 31.

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	2021	2020
Categories of financial instruments		
Trade receivables	381,624	139,292
Other receivables	71,104	40,850
Cash and cash equivalents	591,820	285,487
Derivative financial instruments at fair value through the income statement (repo transactions)	191	-
Financial assets measured at amortized cost	**1,044,739**	**465,629**
Securities	2,626,261	1,384,120
Transferred securities that are not derecognized	498,534	-
Financial assets measured at fair value through the income statement	**3,124,795**	**1,384,120**
Derivative financial instruments to hedge future cash flows (exchange rate)	-	606
Financial assets used as hedging instruments	**-**	**606**
Deferred consideration	3,146,757	2,822,668
Debt to credit institutions	393,269	395,442
Security lending (repo transactions)	500,000	-
Prepayment and loan from Government	160,511	-
Lease liabilities	78,813	74,623
Trade payables	263,611	345,320
Other liabilities	125,726	145,551
Financial liabilities measured at amortized cost	**4,668,687**	**3,783,604**
Liability relating to phantom shares	23,917	4,849
Financial liabilities measured at fair value through the income statement	**23,917**	**4,849**
Derivative financial instruments to hedge future cash flows (exchange rate)	646	-
Derivative financial instruments to hedge future cash flows (interest)	705	1,414
Financial liabilities used as hedging instruments	**1,351**	**1,414**

§ 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. As a pharmaceutical production company Bavarian Nordic will be exposed to risks from instability in the supply chain, where lack of, or delays in, certain materials may impact the companys ability to deliver and hence the companys profitability. The Company is highly dependent on a stable IT environment and risks, incl. cyberattacks, may impact the profibaility of the Company.

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%, 1% or 5%, respectively, higher than the actual exchange rates. A corresponding decrease 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
2021				
EUR	107,199	193,837	(3,416,438)	(3,115,402)
USD	68,481	205,224	(319,201)	(45,496)
CHF	2,216	1,471	(28,375)	(24,688)
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)

Sensitivity analysis on exchange rates

DKK thousand	Likely change in exchange rate	Hypothetical change in equity	Hypothetical change in profit
2021			
Change if higher USD-rate than actual rate	15%	(38,968)	21,921
Change if higher EUR-rate than actual rate	1%	(28,795)	(30,165)
Change if higher CHF-rate than actual rate	5%	506	(235)
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	5%	(615)	(535)

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, 2021 or as per December 31, 2020 not designated as hedge accounting.

Hedging of expected future cash flows

In December 2020 the Company concluded currency forward contracts of USD 83 million to hedge the sale of bulk drug substance batches to BARDA following the award of the contract for 2021 deliveries.

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
2021				
Forward currency contracts (USD/DKK)		7,538	(646)	(646)
			(646)	**(646)**
2020				
Participating forward currency contracts (USD/DKK)	minimum 5.93 - 6.00	496,967	606	606
			606	**606**

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
2021			
Interest rate swap			
DKK - fixed rate 0.9625% p.a. (expiry 2031)	21,332	(705)	709
		(705)	**709**
2020			
Interest rate swap			
DKK - fixed rate 0.9625% p.a. (expiry 2031)	23,461	(1,414)	(171)
		(1,414)	**(171)**

Cash risks

The Group´s bank deposits are placed in deposit accounts without restrictions. The Group's cash and cash equivalents totaled DKK 591.8 million as of December 31, 2021 (DKK 285.4 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)

	2021		2020	
DKK thousand	Fair value as of December 31	Effective interest	Fair value as of December 31	Effective interest
Bond portfolio				
Within 0-2 years	1,201,688	-0.5%	286,325	-0.4%
Within 3-5 years	1,118,304	-0.1%	467,023	-0.4%
After 5 years	804,803	1.0%	630,772	0.1%
Total	**3,124,795**	**0.0%**	**1,384,120**	**-0.2%**

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 46.9 million on the Group´s profit and equity (DKK 23.5 million). A corresponding decrease in the interest rate level would have had a positive impact of DKK 46.9 million on profit and equity (DKK 23.5 million).

Note 24

Financial risks and financial instruments (continued)

Maturity of financial liabilities (including interest) 2021

DKK thousand	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Deferred consideration[1)]	594,912	2,803,523	-	3,398,435
Credit institutions	887,689	9,106	10,409	907,204
Prepayment and loan from Government[2)]	-	164,184	-	164,184
Lease liabilities	21,266	57,547	-	78,813
Trade payables	263,611	-	-	263,611
Other liabilities	154,032	-	-	154,032
Non-derivative financial liabilities	**1,921,510**	**3,034,360**	**10,409**	**4,966,279**
Derivative financial liabilities	**705**	**-**	**-**	**705**

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[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**

[1)] Further explained in note 25. [2)] 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, 2021 the balance remains unused. The Company will have to draw down on the loan latest March 2022. The Company has no plans to use the facility.

During 2021 the Company entered into repo loan contracts (security lending) for a total amount of DKK 500 million. Further described below.

Debt to credit institutions also include a mortgage loan of DKK 21.1 million (DKK 23.2 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, 2021, DKK 0.2 million (DKK 0.1 million) of the credit facility is utilized for bank guarantees.

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 authorties 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 166 thousand (DKK 80 thousand) has been recognized as of December 31, 2021, cf. note 20.

To manage credit risk regarding financial counterparties, Bavarian Nordic 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.

Note 24

Financial risks and financial instruments (continued)

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.

Transferred financial assets that are not derecognized
In 2021 the Company entered into transactions that transfer ownership of securities to a counterparty, while the Company retains the risks associated with the holding of the securities. As the Company retains all risks, the securities remain in the balance sheet, and the transactions are accounted for as loans received against collateral (repo transactions and security lending). The transactions involve selling the securities to be repurchased at a fixed price at a later date. Counterparties are entitled to sell the securities or deposit them as collateral for loans.

Transferred financial assets that are not derecognized

DKK thousand	2021	2020
Carrying amount of transferred securities	498,534	-
Carrying amount of associated liabilities (security lending)	(500,000)	-
Net position	**(1,466)**	**-**

Fair value hierarchy for financial instruments measured at fair value **2021**

DKK thousand	Level 1	Level 2	Total
Securities	3,124,795	-	3,124,795
Derivative financial instruments at fair value (repo transactions)	-	191	191
Financial assets measured at fair value through the income statement	**3,124,795**	**191**	**3,124,986**
Derivative financial instruments to hedge future cash flow (currency)	-	(646)	(646)
Derivative financial instruments to hedge future cash flow (interest)	-	(705)	(705)
Financial assets/liabilities used as hedging instruments	**-**	**(1,351)**	**(1,351)**
Liability relating to phantom shares	-	(23,917)	(23,917)
Financial liabilities measured at fair value through the income statement	**-**	**(23,917)**	**(23,917)**

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)**

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

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2021				
Deferred consideration, product rights	577,667	1,972,862	-	2,550,529
Deferred consideration, license agreement	-	596,228	-	596,228
Total	**577,667**	**2,569,090**	**-**	**3,146,757**
2020				
Deferred consideration for product rights	357,736	2,464,932	-	2,822,668
Total	**357,736**	**2,464,932**	**-**	**2,822,668**

Product rights
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 2021 three 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 remaining 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, 2021 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.

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, 2021 amounts to DKK 2,564 million (DKK 2,838 million), measured using the updated discount rate of 3.7% (3.8%). The discount rate has been determined based on the same components as described above.

License agreement
Under the terms of the license and collaboration agreement concluded with AdaptVac July 2020, the Company is committed to payment of potential future development and sales milestones and tiered royalties.

During second half of 2021 positive results were reported for the Phase 1/2 study conducted by AdaptVac confirming the vaccine's ability to induce strong and broad antibody levels, superior to those of the current approved COVID-19 vaccines. In December 2021, the Company announced positive topline results from the ongoing Phase 2 clinical trial. Based on the positive clinical results Management assesses that the likelyhood of future regulatory approval of the Company's COVID-19 vaccine is high, hence milestone payments to AdaptVac are expected to become payable. Based on current regulatory plans and expectations for future revenue from sale of the COVID-vacine all sales milestones and part of the development milestones are assumed probable and recognized as deferred consideration. The net present value of the probable milestone payments amounts to DKK 596 million.

The carrying amount are measured using a discount rate of 3.7% per annum. The discount rate has been 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, 2021.

Royalties payable under the license and collaboration agreement with AdaptVac will be expensed in concurrence with future sales, hence not assessed and recognized as a liability as of December 31, 2021.

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

§ **Accounting policies**
Deferred consideration including contingent milestone payments 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.

Note 26

Prepayment and loan from Government

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2021				
Prepayment and loan from Government	-	160,511	-	160,511
Total	**-**	**160,511**	**-**	**160,511**

Agreement with Danish Ministry of Health
In August 2021, the Company entered a funding agreement with the Danish Ministry of Health to further advance the development of ABNCoV2.

The agreement is valued at up to DKK 800 million and aims to support the completion of the development towards licensure of ABNCoV2 as a booster vaccine.

Under the agreement, Bavarian Nordic is entitled to an upfront payment of DKK 80 million, in addition to payments of up to DKK 720 million, which are contingent upon reaching a number of predefined milestones including among others completion of the ongoing Phase 2 trial, Phase 3 development milestones and milestones related to upscaling of manufacturing for commercial production of the vaccine. As per December 31, 2021 the Company has received the upfront payment of DKK 80 million and one development milestone of DKK 80 million. Management expect to have received all remaining milestone payments during 2022. As per December 31, 2021 amortized costs amount to DKK 511 thousand.

The Danish Ministry of Health could be entitled to an additional, capped royalty payment if the sales reach a certain threshold above the sales volume for the ordinary royalty payment. Based on current sales forecasts this additional royalty payment is not deemed likely and therefore not recognized. If the payment becomes current it will be recognized as a financial expense as the additional royalty payment is seen as an extra interest payment. The cap for the additional royalty payment is a fixed amount, calculated as a percentage of the loan amount.

§ **Accounting policies**
Prepayment and loan from Government consists of an upfront payment and additional milestone payments from the Danish Ministry of Health to support the completion of the development of ABNCoV2, the Company's COVID-19 vaccine candidate. The additional payments are contingent upon reaching of a number of predefined development milestones. All payments are potentially subject to repayment, however only upon successful marketing authorization of the vaccine by the European Commission. Half of the repayments shall be paid by delivery of vaccines to the Danish Ministry of Health whereas the remaining part of the repayments can be settled in either royalty payments from the sale of the vaccine to other customers or by delivery of further vaccines. Royalty payments are only triggered upon reaching a certain volume in sales. Upon approval of the vaccine the repayment obligation is adjusted by inflation. The Company considers it probably that approval will be obtained and the received payments will be repaid to the Danish Ministry of Health.

The repayment obligation is accounted for as a prepayment in respect of the part that shall be repaid by delivery of vaccines whereas the part that can be repaid either by delivery of further vaccines or by royalty payments is accounted for as a financial liability. Initially the payments from the Danish Ministry of Health is measured at the amount received that is considered equal to the fair value of the obligation to repay the amount to the Danish Ministry of Health. Since the split between supply of vaccines and royalty payments is unknown at this stage Management has decided to recognize the received milestone payments under one common line item "Prepayment and loan from Government".

Subsequent the financial liability part is measured at amortized cost. The prepayment part is accounted for as a prepayment under IFRS 15. The interest rate used that is implicit in the transaction is based on an assessment of the company's incremental borrowing rate. The amortizations and the implicit interest are presented as amortization expenses under financial expenses.

! **Significant accounting judgments**
Management has made the following accounting judgment which affect the recognition in the consolidated financial statements:

Management assesses a high likelyhood of regulatory approval of the vaccine, hence assumes that the already received milestone payments and the milestone payments to be received in the coming year will be repaid in either supply of vaccines or royalty payments.

Note 27

Debt to credit institutions

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2021				
Mortgage[1)]	2,178	8,673	10,223	21,074
European Investment Bank (loan in DKK)[2)]	372,195	-	-	372,195
Security lending (repo transactions)	500,000	-	-	500,000
Total	**874,373**	**8,673**	**10,223**	**893,269**
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**

[1)] Floating interest - swapped to fixed interest of 0.9625% - expiry 2031
[2)] Fixed interest of 3.532% - bullet loan with expiry 2022

The fair value of the debt to credit institutions amounts to DKK 893.5 million (DKK 395.6 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 European Investment Bank loan and the security lending 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 following tables 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, 2021	Cash movement	Non-cash movement	December 31, 2021
2021				
Mortgage	23,247	(2,173)	-	21,074
European Investment Bank (loan in DKK)	372,195	-	-	372,195
Security lending (repo transactions)	-	500,000	-	500,000
Prepayment and loan from Government	-	160,000	511	160,511
Lease liabilities	74,623	(19,507)	23,697	78,813
Total liabilities from financing activities	**470,065**	**638,320**	**24,208**	**1,132,593**

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**

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 28

Lease liabilities

DKK thousand	2021	2020
Non-current	57,547	54,201
Current	21,266	20,422
Lease liabilities	**78,813**	**74,623**

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2021				
Lease liabilities	21,266	57,547	-	78,813
Total	**21,266**	**57,547**	**-**	**78,813**
2020				
Lease liabilities	20,422	54,201	-	74,623
Total	**20,422**	**54,201**	**-**	**74,623**

§ **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 29

Prepayment from customers

DKK thousand	2021	2020
Prepayment from customers as of January 1	74,347	6,631
Prepayments received during the year	33,850	77,185
Recognized as revenue during the year	(91,293)	(9,469)
Prepayment from customers as of December 31	**16,904**	**74,347**

In July 2021, the Company received an initial and non-refundable upfront payment of DKK 33.9 million (USD 5.5 million) from Janssen Vaccines & Prevention B.V (Janssen) related to purchase of MVA-BN-Filo Drug Substance. The initial payment amounted to 20% of the agreed purchase price. The batches were produced and delivered in 2021 and the prepayment was fully recognized as revenue in 2021.

In July 2020, the Company recieved an initial and non-refundable upfront 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 amounted to 60% of the agreed purchase price. The batches were delivered in May 2021 and the prepayment was fully recognized as revenue in 2021.

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. The recognition of revenue will occur once the Master Seed Virus has been produced and released.

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 30

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 31, there are no transactions with related parties.

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

Note 31

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 except for Executive Management and other employees receiving warrants.

Warrants

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 31

Share-based payment (continued)

Warrant overview – 2021	Outstanding as of January 1	Additions	Exercised	Annulled	Terminated	Outstanding as of December 31	Can be exercised as of December 31	Average exercise price (DKK)
December 2016	444,558	-	(335,001)	(15,696)	(16,200)	77,661	77,661	206
July 2017	34,074	-	-	-	-	34,074	34,074	340
November 2017	362,527	-	(159,600)	(13,318)	-	189,609	189,609	240
November 2018	554,066	-	-	(38,382)	-	515,684	-	142
November 2019	687,467	-	-	(61,483)	-	625,984	-	146
January 2020	30,039	-	-	-	-	30,039	-	156
November 2020	1,280,258	-	-	(103,294)	-	1,176,964	-	207
November 2021	-	716,256	-	(9,787)	-	706,469	-	353
Total	**3,392,989**	**716,256**	**(494,601)**	**(241,960)**	**(16,200)**	**3,356,484**	**301,344**	

Warrant overview – 2021	Outstanding as of January 1	Additions	Exercised	Annulled	Terminated	Transferred	Outstanding as of December 31
Corporate Management	439,402	137,030	-	-	-	166,914	743,346
Other Executive Management	723,326	108,788	(31,709)	-	-	(382,242)	418,163
Other employees	2,062,360	470,438	(327,617)	(241,960)	(14,725)	(68,133)	1,880,363
Resigned employees	167,901	-	(135,275)	-	(1,475)	283,461	314,612
Total	**3,392,989**	**716,256**	**(494,601)**	**(241,960)**	**(16,200)**	**-**	**3,356,484**
Weighted average exercise price (DKK)	**188**	**307**	**217**	**194**	**206**	**-**	**145**
Weighted average share price at exercise (DKK)			**327**				

Number of warrants which can be exercised as of December 31, 2021	301,344
at a weighted average exercise price of DKK	242

Note 31

Share-based payment (continued)

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

Specification of parameters for Black-Scholes model	**Dec. 2016**	**Jul. 2017**	**Nov. 2017**	**Nov. 2018**	**Nov. 2019**	**Jan. 2020**	**Nov. 2020**	**Nov. 2021**
Average share price	222.50	383.50	259.50	159.00	154.05	171.20	179.84	307.20
Average exercise price at grant	260.20	430.40	303.00	179.60	185.40	197.00	206.82	353.06
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%	41.8%
Expected life (years)	3.0	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%	-0.53%
Fair value at grant[1)]	54	98	80	52	45	53	41	76

[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 and November 2021 programs where the volatility is based on the volatility for a peer group.

Recognized costs in 2021 DKK 31.3 million compared to DKK 23.3 million in 2020.

Note 31

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 2021	Annual Report 2024	Interim Report Q1 2025	Interim Report Q2 2025	Interim Report Q3 2025
	Annual Report 2025	Interim Report Q1 2026	Interim Report Q2 2026	Interim Report Q3 2026
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 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 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 2021	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
	Annual Report 2021			

Note 31

Share-based payment (continued)

Phantom shares

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. The program expired without exercise in January 2021.

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. The program will exercise in January 2022.

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 31

Share-based payment (continued)

2021-2023 phantom share program	**2021**
Outstanding as of January 1	-
Granted during the year	37,996
Outstanding phantom shares as of December 31	**37,996**
Liability in DKK thousand as of December 31	**3,589**
Specification of parameters for Black-Scholes model	
Share price December 31	269
Average share exercise price	203
Expected volatility rate	42%
Expected life (years)	2.0
Expected dividend per share	-
Risk-free interest rate p.a.	0.11%

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

The expense in respect of phantom shares granted in 2021 provided a cost of DKK 3.6 million.

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

2020-2022 phantom share program	**2021**	**2020**
Outstanding as of January 1	30,921	-
Granted during the year	37,952	29,554
Adjustment following rights issue March 2020	-	1,367
Outstanding phantom shares as of December 31	**68,873**	**30,921**
Liability in DKK thousand as of December 31	**8,604**	**1,864**
Specification of parameters for Black-Scholes model		
Share price December 31	269	187
Average share exercise price	147	147
Expected volatility rate	42%	40%
Expected life (years)	1.0	2.0
Expected dividend per share	-	-
Risk-free interest rate p.a.	-0.02%	-0.17%

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

Phantom shares granted in 2021 provided an expense of DKK 4.7 million, whereas the revaluation of previously granted phantom shares provided an expense of DKK 2.0 million, total net expense of DKK 6.7 million (net expense 2020: DKK 1.9 million).

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

Note 31

Share-based payment (continued)

2019-2021 phantom share program	**2021**	**2020**	**2019**
Outstanding as of January 1	55,095	19,213	-
Granted during the year	37,436	29,437	19,213
Adjustment following rights issue March 2020	-	6,445	-
Outstanding phantom shares as of December 31	**92,531**	**55,095**	**19,213**
Liability in DKK thousand as of December 31	**11,724**	**2,985**	**864**
Specification of parameters for Black-Scholes model			
Share price December 31	269	187	171
Average share exercise price	142	142	180
Expected volatility rate	42%	40%	51%
Expected life (years)	-	1.0	2.0
Expected dividend per share	-	-	-
Risk-free interest rate p.a.	-	-0.15%	-0.17%

2018-2020 phantom share program	**2021**	**2020**	**2019**	**2018**
Outstanding as of January 1	77,227	36,769	17,644	-
Granted during the year	-	29,376	19,125	17,644
Adjustment following rights issue March 2020	-	11,082	-	-
Expired during the year	(77,227)	-	-	-
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%

The expected volatility for 2020 and 2021 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 2021 provided an expense of DKK 4.7 million, whereas the revaluation of previously granted phantom shares provided an expense of DKK 4.0 million, total net expense of DKK 8.7 million (net expense 2020: DKK 2.1 million).

The 2019-2021 program will exercise in January 2022 if the average share price for the period January 3 - January 14, 2022 will exceed the exercise price of DKK 142.10. Otherwise the program will expire without exercise.

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

The expected volatility for 2021 is based on the volatility for a peer group, whereas the volatility for prior years is based on the historic volatility of the Company.

The 2018-2020 program expired in January 2021 without exercise as the actual share price was below the exercise price of DKK 239.70.

Reversal of the phantom share program provided an income of DKK 0.0 million (net income 2020: DKK 0.3 million).

Note 31

Share-based payment (continued)

Outstanding restricted stock units **2021**

	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 2020	-	16,413	-	16,413	222	Mar. 2024
Matching shares - bonus 2020	-	8,207	-	8,207	222	Mar. 2024
Conversion of cash bonus for 2019	11,003	-	-	11,003	240	Mar. 2023
Matching shares - bonus 2019	5,500	-	-	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	16,080	-	-	16,080	144	Mar. 2022
Matching shares - bonus 2018	8,039	-	-	8,039	144	Mar. 2022
Sign-on bonus CFO[1)]	8,554	-	(8,554)	-	156	Nov. 2021
Matching shares - sign-on CFO[1)]	4,277	-	(4,277)	-	156	Nov. 2021
Conversion of cash bonus for 2017	8,734	-	(8,734)	-	244	Mar. 2021
Matching shares - bonus 2017	4,366	-	(4,366)	-	244	Mar. 2021
Executive Management	**79,529**	**24,620**	**(25,931)**	**78,218**		
Board of Directors:						
Fee 2021	-	7,127	-	7,127	273	Apr. 2024
Fee 2020	7,111	-	-	7,111	190	Jun. 2023
Fee 2019	12,340	-	-	12,340	138	Apr. 2022
Fee 2018	8,666	-	(8,666)	-	175	Apr. 2021
Board of Directors	**28,117**	**7,127**	**(8,666)**	**26,578**		
Total	**107,646**	**31,747**	**(34,597)**	**104,796**		

[1)] At vesting 6,400 shares were transferred to CFO Henrik Juuel, the remaining 6,431 restricted stock units were converted to a cash bonus of DKK 2.0 million.

Restricted stock units

In March 2021, the Board of Directors decided to postpone the payment of half of the achieved cash bonus for members of the Executive Management for 3 years, converting the postponed bonus of DKK 3.6 million into 16,413 unconditional restricted stock units using the share price of the Company at grant date (DKK 222). 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 2024. One matching share is granted for each two acquired restricted stock units. The maximum number of matching shares is 8,207. The initial granted restricted stock units and the potential matching shares total 24,620 shares.

At the annual general meeting in April 2021, the Board of Directors were granted a total of 7,127 unconditional restricted stock units corresponding to 50% of the annual fixed fee of DKK 2.0 million (excl. committee fee). The restricted stock units will be delivered after 3 years in April 2024.

Note 31

Share-based payment (continued)

In May/June 2021, the Company bought back 31,747 of its own shares to meet the obligation to deliver up to 31,747 shares to the members of the Executive Management and the Board of Directors in March/April 2024.

The grant of the initial restricted stock units to the Executive Management (16,413 shares) had no impact on the income statement for 2021, as the corresponding cash bonus (DKK 3.6 million) was accrued in 2020, 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 amounts to DKK 1.8 million measured at the same fair value as the initial restricted stock units (DKK 222). The obligation will be expensed over the three year vesting period. During 2021, DKK 5.4 million has been expensed and recognized as share-based payment (incl. grants of matching shares for prior years). The grant of restricted stock units to the Board of Directors (7,127 shares - DKK 2.0 million) were fully expensed at grant.

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**		

Note 31

Share-based payment (continued)

Total share-based payments
Below a specification of all share-based payments expensed in 2021 and 2020. The amounts reconcile to note 8.

DKK thousand	2021	2020
Warrants	31,265	23,336
Restricted stock units	7,319	5,948
Share-based payment recognized directly in equity	**38,584**	**29,284**
2021-2023 phantom share program	3,589	-
2020-2022 phantom share program	6,740	1,864
2019-2021 phantom share program	8,739	2,121
2018-2020 phantom share program	-	(271)
Share-based payment recognized as a liability (change during the year)	**19,068**	**3,714**
Total share-based payment expensed, cf. note 8	**57,652**	**32,998**
Restricted stock units converted to cash bonus at exercise	(795)	-
Non-cash adjustment in cash flow statement	**56,857**	**32,998**

Note 32

Contingent liabilities and other contractual obligations

DKK thousand	2021	2020
Collaborative agreements		
Contractual obligations with research partners for long-term research projects.		
– Due within 1 year	131,865	45,052
Other contractual obligations		
– Due within 1 year	17,391	17,769
– Due between 1 and 5 years	13,600	12,604

Production of drug substance for clinical trial materials for the planned Phase 3 study for ABNCoV2 is taking place at a CMO and the contractual obligations as per December 31, 2021 amounts to DKK 73.8 million, included under collaborative agreements above.

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, 2021 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. Based on current regulatory plans and expectations for future sale of the Company's COVID-19 vaccine all sales milestones and part of the development milestones are deemed probable as per December 31, 2021 and the net present value of those future milestone payments have been recognized as deferrred consideration, see further description in note 25. The remaining developement milestones related to filing for approval in further countries are not deemed likely and therefore not recognized.

Agreement with Danish Ministry of Health
Under the agreement with the Danish Ministry of Health to fund the development of ABNCoV2 the Company has an obligation of payment of an additional, capped royalty payment if the sales reach a certain threshold. Based on current sales forecasts this additional royalty payment is not deemed likely and therefore not recognized. If the payment becomes current it will be recognized as a financial expense as the additional royalty payment is seen as an extra interest payment. The cap for the additional royalty payment is a fixed amount, calculated as a percentage of the loan amount.

Note 32

Contingent liabilities and other contractual obligations

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. Payments considered remote are not included in the amounts above.

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 33

Significant events after the balance sheet date

On February 14, 2022, the Company announced that the U.S. Food and Drug Administration (FDA) has granted Breakthrough Therapy Designation for the Company's vaccine candidate, MVA-BN RSV, for active immunization for prevention of lower respiratory tract disease caused by respiratory syncytial virus (RSV) in adults aged 60 years or older.

On February 28, 2022, the Company announced additional positive results from a Phase 2 clinical trial of its non-adjuvanted COVID-19 vaccine candidate, ABNCoV2, which is being developed as a universal booster vaccine. Based on the encouraging results, the Company continues the preparations to initiate a Phase 3 trial in the first half of 2022. The trial will include approximately 4,000 subjects aiming to demonstrate non-inferiority of ABNCoV2 to the licensed mRNA vaccine. An overall agreement has been made with regulatory authorities on the trial design, and manufacturing of vaccine bulk for the trial has been completed, pending filling at the Company's own manufacturing line in the near future.

Except as noted above, there have been no significant events between December 31, 2021 and the date of approval of these financial statements that would require a change to or additional disclosure in the financial statements.

Note 34

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 4, 2022.

Contents

Income statements

For the years ended December 31, 2021 and 2020

DKK thousand	Note	2021	2020
Revenue	2	1,938,362	1,883,483
Production costs	4,5	1,266,481	1,174,546
Gross profit		**671,881**	**708,937**
Sales and distribution costs	4	168,903	267,112
Research and development costs	3,4,5	405,649	363,459
Administrative costs	4,5	327,031	288,877
Total operating costs		**901,583**	**919,448**
Other operating income		**-**	**627,647**
Income before interest and tax (EBIT)		**(229,702)**	**417,136**
Income from investments in subsidiaries	12	(131,075)	(61,733)
Financial income	6	82,643	119,665
Financial expenses	7	192,014	198,074
Income before company tax		**(470,148)**	**276,994**
Tax on income for the year	8	-	-
Net profit for the year	20	**(470,148)**	**276,994**

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

Statements of financial position – Assets

December 31, 2021 and 2020

DKK thousand	Note	2021	2020
Non-current assets			
Product rights		4,912,830	5,185,765
Acquired rights and development in progress		733,770	29,813
Software		21,360	17,475
Other intangible assets in progress		134,371	55,194
Intangible assets	9	**5,802,331**	**5,288,247**
Land and buildings		345,536	365,704
Leasehold improvements		1,882	1,629
Plant and machinery		254,530	204,665
Other fixtures and fittings, other plant and equipment		207,498	213,726
Assets under construction		560,551	204,702
Property, plant and equipment	10	**1,369,997**	**990,426**
Right-of-use assets	11	**25,871**	**35,516**
Investments in subsidiaries	12	163,970	144,004
Other receivables		16,559	3,879
Other financial non-current assets		4,245	-
Financial assets		**184,774**	**147,883**
Total non-current assets		**7,382,973**	**6,462,072**

DKK thousand	Note	2021	2020
Current assets			
Inventories	13	**407,632**	**503,768**
Trade receivables		253,850	27,866
Receivables from subsidiaries		154,035	104,944
Other receivables		85,239	36,441
Prepayments		125,411	12,474
Receivables		**618,535**	**181,725**
Securities		3,124,795	1,384,120
Cash and cash equivalents		573,893	263,686
Securities, cash and cash equivalents		**3,698,688**	**1,647,806**
Total current assets		**4,724,855**	**2,333,299**
Total assets		**12,107,828**	**8,795,371**

Statements of financial position – Equity and liabilities

December 31, 2021 and 2020

DKK thousand	Note	2021	2020
Equity			
Share capital		704,684	584,501
Treasury shares		(1,111)	(1,077)
Retained earnings		6,556,902	4,210,337
Reserve for development costs		19,275	13,157
Other reserves		95,455	87,916
Equity		**7,375,205**	**4,894,834**
Liabilities			
Deferred consideration		2,569,090	2,464,932
Prepayment and loan from Government		160,511	-
Credit institutions		18,896	393,269
Lease liabilities	14	16,186	25,858
Non-current liabilities		**2,764,683**	**2,884,059**
Deferred consideration for product rights		577,667	357,736
Credit institutions		874,373	2,173
Lease liabilities	14	11,367	11,356
Prepayment from customers	15	16,904	74,347
Trade payables		246,271	322,264
Payables to subsidiaries		157,175	137,018
Other liabilities	16	84,183	111,584
Current liabilities		**1,967,940**	**1,016,478**
Total liabilities		**4,732,623**	**3,900,537**
Total equity and liabilities		**12,107,828**	**8,795,371**

Notes with reference to the consolidated financial statements	Note
Trade receivables	20
Prepayments	22
Financial risks and financial instruments	24
Deferred consideration for product rights	25
Prepayment and loan from Government	26
Debt to credit institutions	27
Prepayment from customers	29
Share-based payment	31

Statements of changes in equity

December 31, 2021

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserve for development costs	Other reserves	Equity
Equity as of January 1, 2021	584,501	(1,076)	4,210,347	13,157	87,919	4,894,848
Net profit for the year	-	-	(470,148)	-	-	(470,148)
Exchange rate adjustments	-	-	1,498	-	-	1,498
Change in fair value of financial instruments entered into to hedge future cash flows	-	-	-	-	(542)	(542)
Share-based payment	-	-	-	-	38,584	38,584
Warrant programs exercised	4,946	-	126,729	-	(24,492)	107,183
Warrant recharged	-	-	13,999	-	-	13,999
Warrant programs expired	-	-	695	-	(695)	-
Capital increase through private placement	115,237	-	2,741,359	-	-	2,856,596
Costs related to issue of new shares	-	-	(57,438)	-	-	(57,438)
Purchase of treasury shares	-	(317)	(8,264)	-	-	(8,581)
Transfer regarding restricted stock units	-	282	4,243	-	(4,524)	1
Restricted stock units converted to cash bonus at exercise	-	-	-	-	(795)	(795)
Reserve for development costs	-	-	(6,118)	6,118	-	-
Equity as of December 31, 2021	**704,684**	**(1,111)**	**6,556,902**	**19,275**	**95,455**	**7,375,205**

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

§ **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.

Note 2

Revenue

DKK thousand	2021	2020
MVA-BN smallpox vaccine sale	733,593	540,769
Rabipur/RabAvert	544,274	659,022
Encepur	365,091	455,012
Other product sale	260,220	-
Sale of goods	**1,903,178**	**1,654,803**
Milestone Payments	-	66,553
Contract work	35,184	162,127
Sale of services	**35,184**	**228,680**
Revenue	**1,938,362**	**1,883,483**
Total revenue includes:		
Fair value adjustment concerning financial instruments entered into to hedge revenue	(7,072)	13,146

The Group's sale of RabAvert in US is handled and recognized in Bavarian Nordic Inc.. The Group's sale of Encepur and Rabipur in Switzerland is handled and recognized in Bavarian Nordic Switzerland AG. Both Bavarian Nordic Inc. and Bavarian Nordic Switzerland AG operate under a distribution agreement and purchase the products from Bavarian Nordic A/S. The internal sale of products in 2021 exceeded the sale to customers in US and Switzerland, hence the Rabipur/RabAvert and Encepur revenue recognized in the Parent Company is higher than the Rabipur/RabAvert and Encepur 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	2021	2020
Research and development costs incurred this year	427,527	467,456
Of which:		
Contract costs recognized as production costs	(21,878)	(103,997)
Research and development costs recognized in the income statement	**405,649**	**363,459**

§ **Accounting policies**

See consolidated financial statements note 6.

Note 4

Staff costs

DKK thousand	2021	2020
Wages and salaries	371,127	293,496
Contribution based pension	32,724	25,970
Social security expenses	3,928	2,459
Other staff expenses	25,308	24,283
Share-based payment	53,290	32,074
Staff costs	**486,377**	**378,282**
Staff expenses are distributed as follows:		
Production costs	243,502	195,337
Sales and distribution costs	21,834	17,397
Research and development costs	65,148	48,272
Administrative costs	116,609	98,367
Capitalized salaries	39,284	18,909
Staff costs	**486,377**	**378,282**
Average number of employees converted to full-time	511	408
Number of employees as of December 31 converted to full-time	533	475

DKK thousand	2021	2020
Staff costs include the following costs:		
Board of Directors:		
Remuneration	5,202	3,825
Share-based payment	1,950	1,350
Remuneration to Board of Directors	**7,152**	**5,175**
Executive Management:		
Salary	8,661	5,186
Paid bonus	3,956	2,540
Other employee benefits	678	576
Contribution based pension	2,048	-
Share-based payment	9,035	4,011
Corporate Management	**24,378**	**12,313**
Salary	5,981	9,288
Paid bonus	1,917	2,089
Other employee benefits	207	465
Contribution based pension	752	1,114
Share-based payment	3,869	8,557
Salary and benefits in notice period	7,378	-
Other Executive Management	**20,104**	**21,513**
Remuneration to Executive Management	**44,482**	**33,826**
Total management remuneration	**51,634**	**39,001**

Note 4

Staff costs – continued

CEO and President of the Company Paul Chaplin and CFO Henrik Juuel constitute the Corporate Management in the Parent Company. Henrik Juuel became part of Corporate Management in February 2021.

COO Henrik Birk and CPO Anu Kerns constitute the Company's member of the Other Executive Management. CBO Tommi Kainu resigned by the end of March 2021.

Incentive programs for management and other employees are disclosed in the consolidated financial statements note 31.

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	**2021**	**2020**
Depreciation and amortization included in:		
Production costs	346,012	310,784
Research and development costs	2,340	1,400
Administrative costs	24,954	20,547
Depreciation and amortization	**373,306**	**332,731**
Hereof profit ()/loss from disposed fixed assets	5,259	3,149
Impairment losses included in:		
Production costs	618	16,066
Impairment losses	**618**	**16,066**

For further disclosures see the consolidated financial statements note 9.

Note 6

Financial income

DKK thousand	2021	2020
Financial income from bank and deposit contracts	1,739	193
Financial income from subsidiaries	22,875	21,743
Financial income from securities	11,045	8,756
Fair value adjustments on securities	-	6,783
Adjustment of deferred consideration due to change in estimated timing of payments	32,185	67,719
Currency adjustment deferred consideration	1,677	11,900
Net gain on derivative financial instruments at fair value in the income statement	-	2,571
Net foreign exchange gains	13,122	-
Financial income	**82,643**	**119,665**

§ **Accounting policies**
See consolidated financial statements note 12.

Note 7

Financial expenses

DKK thousand	2021	2020
Interest expenses on debt	17,011	30,741
Financial expenses to subsidiaries	2,374	2,274
Fair value adjustments on securities	39,056	-
Unwinding of the discount related to deferred consideration	133,573	145,149
Net foreign exchange losses	-	19,910
Financial expenses	**192,014**	**198,074**

§ **Accounting policies**
See consolidated financial statements note 13.

Note 8

Tax for the year

DKK thousand	2021	2020
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	(470,148)	276,994
Calculated tax (22.0%) on income before company tax	(103,432)	60,939
Tax effect on:		
Income from investments in subsidiaries	28,837	(3,352)
Write-down of receivables from subsidiaries - not deductable for tax purposes	-	7,551
Income()/expenses that are not taxable/deductible for tax purposes	(16,699)	(10,648)
Change in non-recognized tax asset	94,007	(54,490)
Adjustment to previous years non-recognized tax asset	(2,713)	(54,490)
Tax on income for the year	-	-
Tax recognized in equity		
Tax for the year recognized in equity	-	-

DKK thousand	January 1, 2021	Recognized in the income statement	Recognized in equity	December 31, 2021
Product rights	(94,360)	83,939	-	(10,421)
Other intangible assets	377	(377)	-	-
Property, plant and equipment	38,342	22,158	-	60,500
Right-of-use-asset	373	(3)	-	370
Development projects for sale	32,446	-	-	32,446
Accrued project costs	(181)	181	-	-
Receivables	18	19	-	37
Provisions	17,930	(17,930)	-	-
Financial instruments	178	-	119	297
Share-based payment	15,397	6,726	5,871	27,994
Tax losses carried forward	362,121	(706)	-	361,415
Not recognized tax asset	(372,641)	(94,007)	(5,990)	(472,638)
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

					2021
DKK thousand	Product rights	Acquired rights and development in progress	Software	Other intangible assets in progress	Total
Costs as of January 1, 2021	5,458,700	29,813	85,081	55,194	5,628,788
Additions	-	703,957	145	96,161	800,263
Transfer	-	-	16,984	(16,984)	-
Disposal	-	-	(6,280)	-	(6,280)
Cost as of December 31, 2021	**5,458,700**	**733,770**	**95,930**	**134,371**	**6,422,771**
Amortization as of January 1, 2021	272,935	-	67,606	-	340,541
Amortization	272,935	-	13,221	-	286,156
Disposals	-	-	(6,257)	-	(6,257)
Amortization as of December 31, 2021	**545,870**	**-**	**74,570**	**-**	**620,440**
Carrying amount as of December 31, 2021	**4,912,830**	**733,770**	**21,360**	**134,371**	**5,802,331**
Carrying amount as of December 31, 2020	**5,185,765**	**29,813**	**17,475**	**55,194**	**5,288,247**

§ **Accounting policies**
See consolidated financial statements note 16.

Note 10

Property, plant and equipment

						2021
DKK thousand	Land and buildings	Leasehold improve-ment	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
Costs as of January 1, 2021	547,111	4,376	485,024	242,859	204,702	1,484,072
Additions	2,516	598	5,715	8,184	439,093	456,106
Transfer	6,911	-	73,155	3,178	(83,244)	-
Disposals	(10,946)	(518)	(139,605)	(3,369)	-	(154,438)
Cost as of December 31, 2021	**545,592**	**4,456**	**424,289**	**250,852**	**560,551**	**1,785,740**
Depreciation and impairment losses as of January 1, 2021	181,407	2,747	280,359	29,133	-	493,646
Depreciation	25,585	345	27,571	17,180	-	70,681
Impairment losses	-	-	278	340	-	618
Disposals	(6,936)	(518)	(138,449)	(3,299)	-	(149,202)
Depreciation and impairment losses as of December 31, 2021	**200,056**	**2,574**	**169,759**	**43,354**	-	**415,743**
Carrying amount as of December 31, 2021	**345,536**	**1,882**	**254,530**	**207,498**	**560,551**	**1,369,997**
Carrying amount as of December 31, 2020	**365,704**	**1,629**	**204,665**	**213,726**	**204,702**	**990,426**

For collateral see the consolidated financial statements note 17.

§ **Accounting policies**
See consolidated financial statements note 17.

Note 11

Right-of-use-assets

				2021
DKK thousand	Rent facility	Car leasing	Equipment	Total
Right-of-use assets as of January 1, 2021	33,717	1,284	515	35,516
Additions	-	287	768	1,055
Modifications	518	(46)	38	510
Depreciations	(9,807)	(989)	(414)	(11,210)
Right-of-use assets as of December 31, 2021	**24,428**	**536**	**907**	**25,871**

				2020
DKK thousand	Rent facility	Car leasing	Equipment	Total
Impact from applying IFRS 16 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**

Amounts included in the income statement

DKK thousand	2021	2020
Interest expense leases	685	875
Depreciation recognized on right-of-use assets	11,210	10,845
Cost recognized for short term leases (less than 12 months)	293	1,865

§ **Accounting policies**
See consolidated financial statements note 18.

Note 12

Investment in subsidiaries

DKK thousand	2021
Costs as of January 1, 2021	663,826
Additions	27,428
Cost as of December 31, 2021	**691,254**
Net revaluation as of January 1, 2021	(519,822)
Net share of profit/loss for the year	7,155
Change in unrealized intra-group profits	(138,230)
Exchange rate adjustments	1,498
Net revaluation as of December 31, 2021	**(649,399)**
Carrying amount before offset of subsidiaries with negative equity	41,855
Offset in receivables from subsidiaries with negative equity	122,115
Carrying amount as of December 31, 2021	**163,970**
Carrying amount as of December 31, 2020	**144,004**

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%
Bavarian Nordic Sweden AB	Sweden	100%	100%
Aktieselskabet af 1. juni 2011 I	Denmark	100%	100%
Aktieselskabet af 1. juni 2011 II	Denmark	100%	100%

Non-current receivables from Bavarian Nordic, Inc. is recognized as part of "Investments in subsidiaries". During 2021 the receivables increased by DKK 27.4 million, shown as an addition in the table.

In April 2021, the Company established a company in Sweden for hiring of commercial employees.

The carrying amount of investments in subsidiaries mainly relates to Bavarian Nordic GmbH (DKK 152.6 million) and the net share of profit from this subsidiary amounts to DKK 15.5 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.

Note 13

Inventories

DKK thousand	2021	2020
Raw materials and supply materials	79,068	73,037
Work in progress	79,904	201,601
Manufactured goods and commodities	421,601	292,667
Write-down on inventory	(172,941)	(63,537)
Inventories	**407,632**	**503,768**
Write-down on inventory as of January 1	(63,537)	(104,056)
Write-down for the year	(171,643)	(25,692)
Use of write-down	62,239	65,672
Reversal of write-down	-	539
Write-down on inventory as of December 31	**(172,941)**	**(63,537)**
Cost of goods sold amounts to	481,916	566,116

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	2021	2020
Non-current	16,186	25,858
Current	11,367	11,356
Lease liabilities	**27,553**	**37,214**

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2021				
Lease liabilities	11,367	16,186	-	27,553
2020				
Lease liabilities	11,356	25,858	-	37,214

§ **Accounting policies**
See consolidated financial statements note 28.

Note 15

Prepayment from customers

DKK thousand	2021	2020
Prepayment from customers as of January 1	74,347	6,631
Prepayments received during the year	33,850	77,185
Recognized as income during the year	(91,293)	(9,469)
Prepayment from customers as of December 31	**16,904**	**74,347**

For further details of prepayment from customers, see consolidated financial statements note 29.

§ **Accounting policies**
See consolidated financial statements note 29.

Note 16

Other liabilities

DKK thousand	2021	2020
Derivative financial instruments at fair value in the income statement	1,351	1,414
Liability relating to phantom shares	23,917	4,849
Payable salaries, holiday accrual etc.	49,165	84,026
Gross to net deduction accrual	5,017	2,502
Other accrued costs	4,733	18,793
Other liabilities	**84,183**	**111,584**

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 31.

§ **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 distributes and sells Encepur and Rabipur in Switzerland on behalf of Bavarian Nordic A/S. This is done under a Distribution Agreement.

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

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

The distribution agreements are 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 31 in the consolidated financial statements, there are no transactions with related parties.

Note 18

Contingent liabilities and other contractual obligations

	2021	2020
Collaborative agreements		
Contractual obligations with research partners for long-term research projects.		
– Due within 1 year	127,300	42,227
Other contractual obligations		
– Due within 1 year	17,391	17,738
– Due between 1 and 5 years	13,600	12,604

Production of drug substance for clinical trial materials for the planned Phase 3 study for ABNCoV2 is taking place at a CMO and the contractual obligations as per December 31, 2021 amounts to DKK 73.8 million, included under collaborative agreements above.

Repayment obligation
Repayment obligation regarding received prepayments see the consolidated financial statements note 29.

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, 2021 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. Based on current regulatory plans and expectations for future sale of the Company's COVID-19 vaccine all sales milestones and part of the development milestones are deemed probable as per December 31, 2021 and the net present value of those future milestone payments have been recognized as deferrred consideration, see further description in note 25 in the consolidated financial statements. The remaining developement milestones related to filing for approval in further countries are not deemed likely and therefore not recognized.

Agreement with Danish Ministry of Health
Under the agreement with the Danish Ministry of Health to fund the development of ABNCoV2 the Company has an obligation of payment of an additional, capped royalty payment if the sales reach a certain threshold. Based on current sales forecasts this additional royalty payment is not deemed likely and therefore not recognized. If the payment becomes current it will be recognized as a financial expense as the additional royalty payment is seen as an extra interest payment. The cap for the additional royalty payment is a fixed amount, calculated as a percentage of the loan amount.

Joint taxation
The Company is jointly taxed with all Danish subsidiaries. As the administration company the Company stands surety with the other companies in the joint taxation of Danish corporate taxes and also withholding taxes on dividends, interest and royalties. Corporation taxes and withholding taxes payable in the joint taxation pool was DKK 0 as of December 31, 2021. Any adjustments of the taxable joint taxation income or taxes withheld at source may have the effect that the Company's liability increases.

Incentive agreements, company mortgage and lawsuits
See the consolidated financial statements note 32.

Note 19

Mortgages and collateral

DKK thousand	2021	2020
Guarantees for subsidiaries		
The Parent Company stands surety for a credit facility to a subsidiary of a maximum of	3,435	3,330
The Parent Company stands surety for letter of credit to subsidiaries of a maximum of	2,335	2,200

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 0.9 million (DKK 2.0 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	2021	2020
Retained earnings	(470,148)	276,994
Total	**(470,148)**	**276,994**

Note 21

Significant events after the balance sheet date

See description in note 33 in the consolidated financial statements.

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, 2021.

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, 2021 as well as of the results of their operations and the Group's cash flows for the financial year January 1 - December 31, 2021.

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-2021-12-31-en.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 4, 2022

Corporate Management

Paul John Chaplin
President and Chief Executive Officer

Henrik Juuel
Executive Vice President and Chief Financial Officer

Board of Directors

Gerard W.M. van Odijk
Chair of the Board

Anders Gersel Pedersen
Deputy chair

Erik Gregers Hansen

Peter H. Kürstein-Jensen

Frank A.G.M. Verwiel

Elizabeth McKee Anderson

Anne Louise Eberhard

Thomas Alex Bennekov
Employee-elected

Anja Gjøl
Employee-elected

Karen Merete Jensen
Employee-elected

Linette Munksgaard Andersen
Employee-elected

Independent auditor's report

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, 2021, which comprise the income statement, balance sheet, 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, 2021 and of the results of its operations and cash flows for the financial year January 1 – December 31, 2021 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, 2021 and of the results of its operations for the financial year January 1 – December 31, 2021 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 23 years up to and including the 2021 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, 2021. 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.

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 672 million in 2021 (DKK 667 million in 2020).	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.
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.	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 2021.
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.	We also evaluated the financial statements disclosures related to revenue.

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 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, safeguards put in place and measures taken to eliminate threats.

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 the parent 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, 2021 with the file name bava-2021-12-31-en.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; and
- 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:

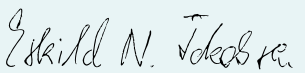
- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness 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; and
- 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, 2021 with the file name bava-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, March 4, 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen
State-Authorised Public Accountant
Identification No (MNE) no 21358



Eskild Nørregaard Jakobsen
State-Authorised Public Accountant
Identification No (MNE) no 11681

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.

Design and layout
Kontrapunkt

Photos
Carsten Andersen
Maria Dønvang
Phillippe Wiget

Print
Dystan & Rosenberg

Bavarian Nordic A/S
Philip Heymans Alle 3
DK-2900 Hellerup
Denmark

CVR no: 16 27 11 87

BAVARIAN NORDIC