An open world through vaccines

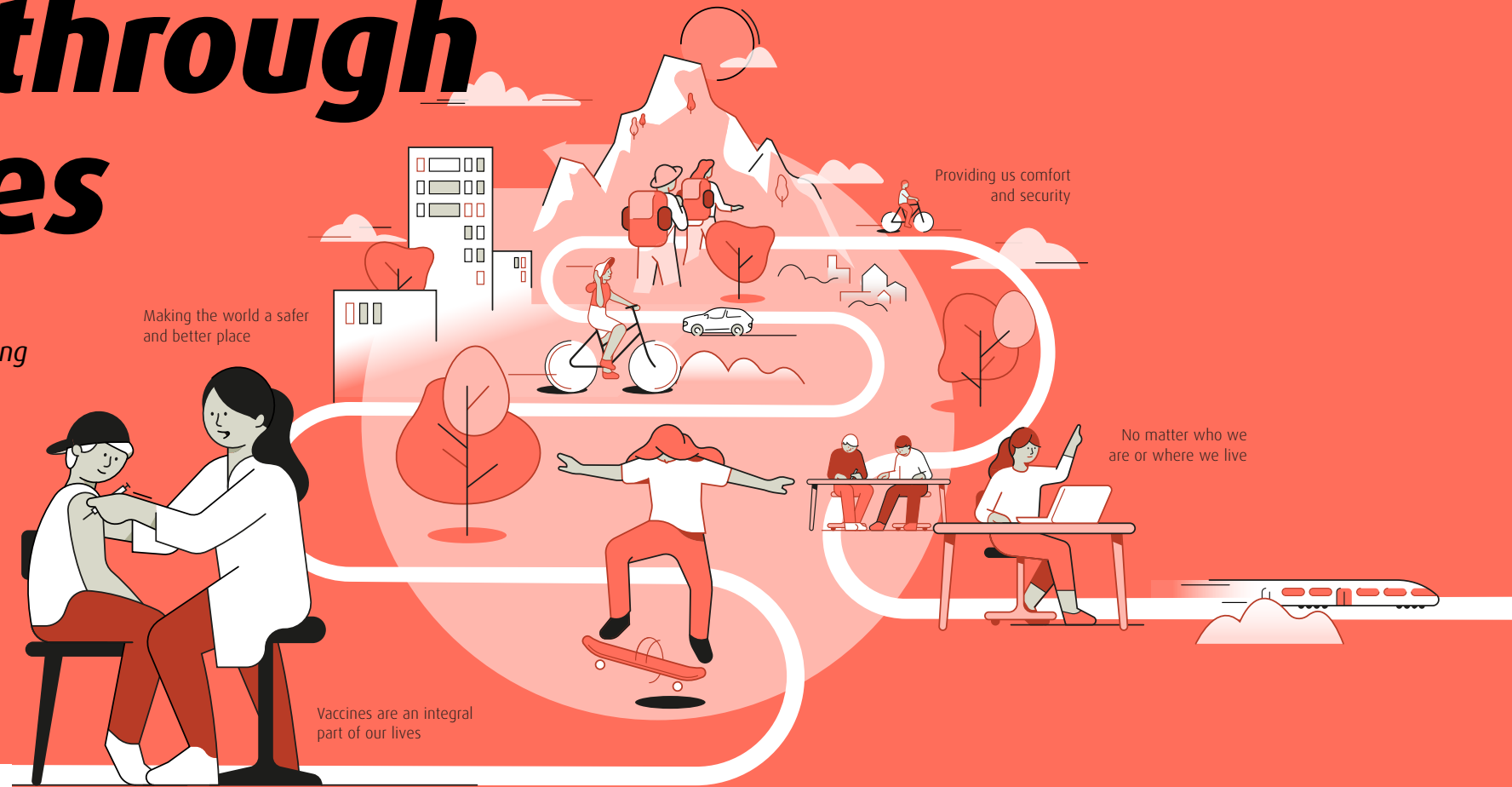
Annual Report 2022

BAVARIAN NORDIC

Our purpose

An open world through vaccines

At Bavarian Nordic, we are working to save and improve lives by unlocking the power of the immune system



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.

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Introduction

In February 2023, we announced the acquisition of a portfolio of marketed and development-stage vaccines from Emergent BioSolutions, including manufacturing and R&D facilities.

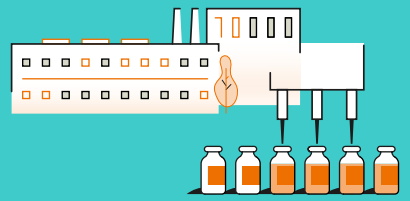
By the reporting date, the acquisition is still subject to closing, pending approval from the authorities and the acquired assets are not presented as part of our business.

Read more about the acquisition on page 23 →

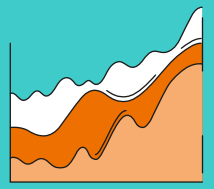
At a glance

Bavarian Nordic is a fully integrated vaccines company focused on R&D innovation, manufacturing and commercialization of life-saving vaccines.

Global commercial operations with own salesforce and distribution in strategic markets



End-to-end manufacturing at highest quality standards



Listed on NASDAQ OMX Copenhagen C25 (BAVA.CO) and ADR (BVNRY)

More than 1,000 employees worldwide

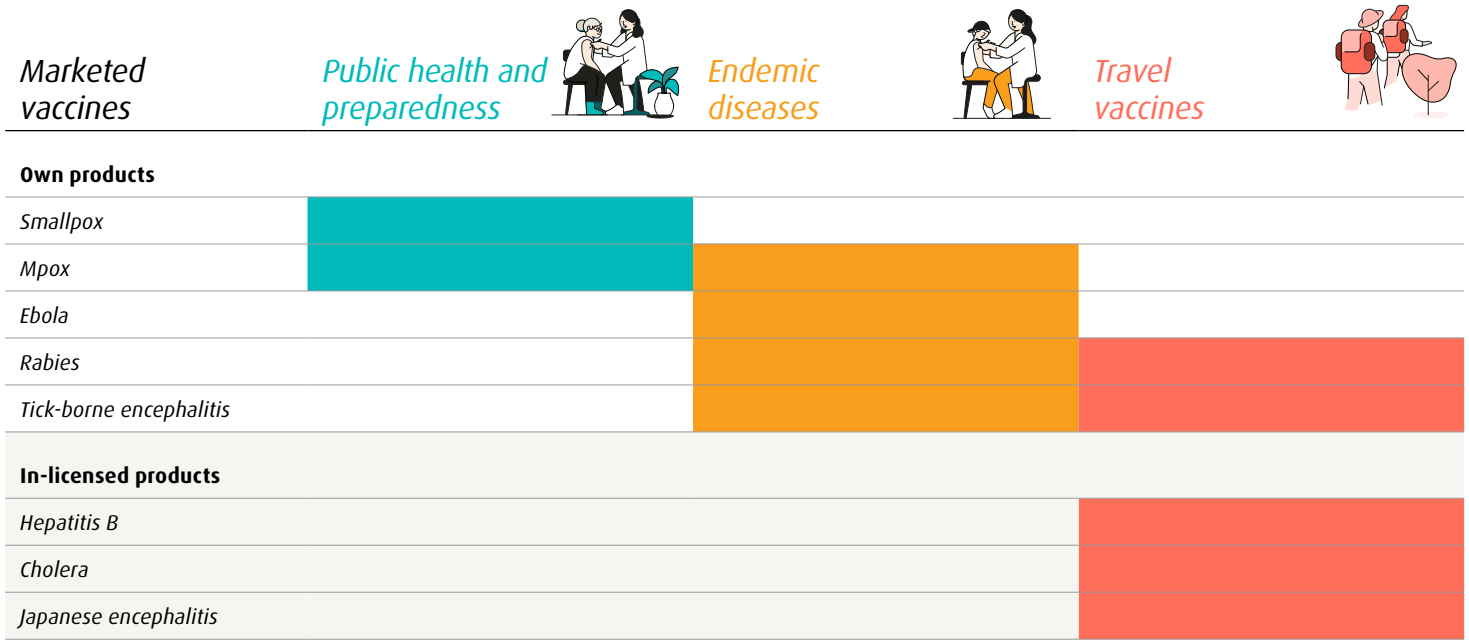
5 Commercial products with leading market positions: **Rabies, TBE, Ebola, Smallpox, Mpox**

3 Inlicensed products: **Hepatitis B, Cholera, Japanese encephalitis**

2 Late stage pipeline candidates: **RSV, COVID-19**

Products and markets

We have established a diverse portfolio of in-house developed and acquired products addressing infectious diseases across the globe, and through our partnerships with governments and international organizations, we are working to increase the availability of important vaccines to improve public health.



Information for patients and healthcare professionals

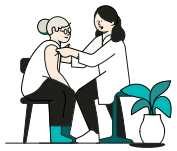
Throughout 2022, we have continued to expand our digital services for patients and healthcare professionals, providing access to information about our disease areas and products. We will continue to launch our websites in more countries in 2023.

Consumer website with relevant disease information. Currently available in English, German, Danish, Swedish, Finnish and Estonian.

www.loweringtherisk.com

An online resource for healthcare professionals with in-depth knowledge about our vaccines and the diseases they are addressing. Currently available in the US, Germany, Switzerland, Sweden, Finland and Estonia.

www.bnvaccines.com



JYNNEOS®

Mpox and smallpox vaccine

Although smallpox was eradicated more than 40 years ago, vaccines and therapeutics are still in demand from governments who prioritize their biological preparedness. Through a two-decade long partnership with the US government, we have developed a non-replicating smallpox vaccine on our MVA-BN platform technology, which has been approved in the US, Canada and EU. The vaccine is also approved for mpox. In response to the global mpox outbreak in 2022, we have supplied the vaccine to more than 70 countries, including countries where the vaccine did not have regulatory approval, but was accepted under national emergency provisions.

JYNNEOS is the U.S. brand name. The vaccine is marketed as IMVAMUNE® in Canada and IMVANEX® in EU.

Rabipur® / RabAvert®

Rabies vaccine

Although the prevalence of rabies in Western countries has significantly diminished through vaccination campaigns of domesticated animals and even among wild-life animals, the risk is still present and post-exposure vaccination remains the only effective treatment. In other parts of the World, the risk of rabies is considered significantly higher, particularly in Asia and Africa, and pre-exposure vaccination are often recommended for travelers to these regions.

Our vaccine is available in 20 countries and has a global market-leading position with the U.S. being our largest single-market, primarily due to the need for post-exposure vaccinations.

Encepur®

Tick-borne encephalitis vaccine

Tick-borne encephalitis (TBE) is prevalent in central, eastern and northern Europe and the geographic range of the virus appears to have expanded to new areas, likely due to a complex combination of changes in diagnosis and surveillance, human activities and socioeconomic factors, and ecology and climate.

Our vaccine is available in 14 European countries where we are market challenger in key markets with Germany representing our largest single-market.

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 (Zabdeno® + Mvabea®) approved by the EC in 2020. We continue to be manufacturer of the vaccine.

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.

IXIARO®

Valneva's vaccine against Japanese encephalitis, which we market and distribute in Germany and Switzerland.

DUKORAL®

Valneva's vaccine against cholera, which we market and distribute in Germany and Switzerland.

HEPLISAV-B®

Dynavax' hepatitis-B vaccine, which we market and distribute in Germany.

2022 in numbers

We delivered significantly stronger than expected financial results in 2022, even after eight guidance upgrades during the year, primarily resulting from numerous supply contracts for our mpox vaccine, but also due to a higher demand for our rabies vaccine.

Revenue
(mDKK)

3,151

Compared to original guided revenue of 1,100 - 1,400 mDKK

EBITDA
(mDKK)

328

Compared to original guided EBITDA of (1,300 - 1,000) mDKK

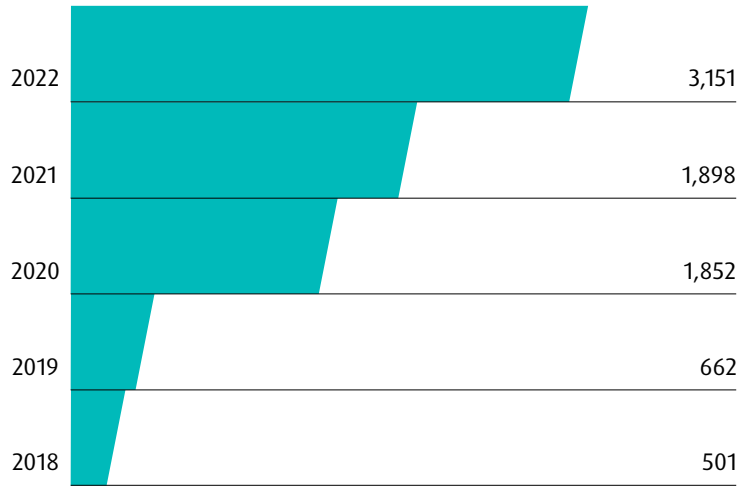
Cash and cash equivalents at year-end*
(mDKK)

1,741

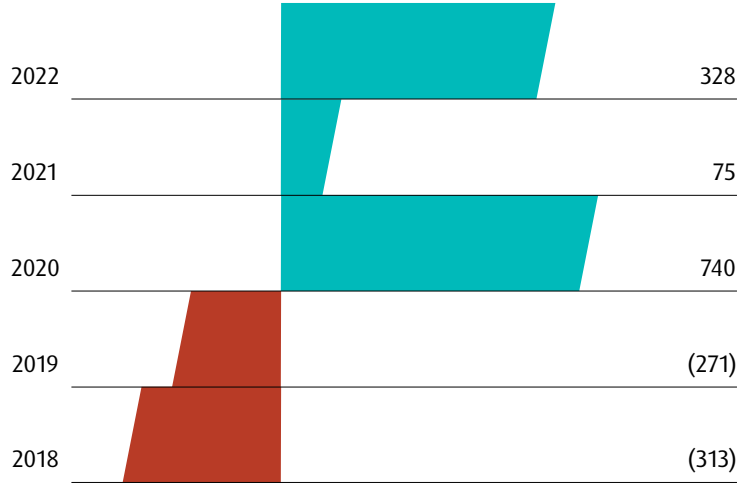
Compared to original guided cash position of DKK 1,000 - 1,200 mDKK

See also the financial review on page 52 →

Revenue 2018-2022
DKK million



EBITDA 2018-2022
DKK million



* The guidance assumed a bank debt level at year-end of DKK 600 million, however remaining bank debt was repaid during the fourth quarter and no new debt agreements were implemented.

Group key figures 2018-2022

DKK million	2022	2021	2020	2019	2018
Income statement					
Revenue	3,151	1,898	1,852	662	501
Production costs	1,450	1,328	1,195	355	255
Sales and distribution costs	213	192	286	53	34
Research and development costs	1,183	399	341	409	386
Administrative costs	376	293	278	173	180
Income before interest and tax (EBIT)	(71)	(314)	380	(328)	(355)
Financial items, net	(261)	(141)	(98)	(16)	(2)
Income before company tax	(332)	(454)	282	(345)	(357)
Net result for the year	(347)	(465)	278	(347)	(362)
Balance sheet					
Total non-current assets	7,907	7,336	6,378	6,392	553
Total current assets	4,485	4,754	2,381	655	2,508
Total assets	12,391	12,089	8,759	7,047	3,061
Equity	7,150	7,375	4,894	1,865	2,181
Non-current liabilities	2,954	2,806	2,912	3,134	398
Current liabilities	2,287	1,909	952	2,047	483
Cash Flow Statement					
Securities, cash and cash equivalents	2,845	3,717	1,670	472	2,317
Cash flow from operating activities	220	(359)	572	(276)	(289)
Cash flow from investment activities	(877)	(2,877)	(1,912)	(810)	17
– Investment in intangible assets	(1,020)	(575)	(484)	(2,311)	(10)
– Investment in property, plant and equipment	(361)	(483)	(223)	(360)	(202)
– Net investment in securities	674	(1,779)	(1,202)	1,861	229
Cash flow from financing activities	636	3,536	1,335	1,115	246

DKK million	2022	2021	2020	2019	2018
Financial Ratios[1]					
EBITDA	328	75	740	(271)	(313)
Earnings (basic) per share of DKK 10	(4.9)	(7.4)	5.1	(10.7)	(11.2)
Net asset value per share	101.1	104.7	83.7	57.6	67.5
Share price at year-end	213	269	187	171	127
Share price/Net asset value per share	2.1	2.6	2.2	3.0	1.9
Number of outstanding shares at year-end (thousand units)	70,735	70,468	58,450	32,389	32,311
Equity share	58%	61%	56%	26%	71%
Number of employees, converted to full-time, at year-end	975	759	690	491	419

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)	(71)	(314)	380	(328)	(355)
Depreciation and amortization (note 9)	399	388	344	57	42
Impairment losses (note 9)	-	1	16	-	-
EBITDA	**328**	**75**	**740**	**(271)**	**(313)**

2022 highlights

Mpox / smallpox

- In response to the global mpox outbreak, we entered numerous agreements with governments and organizations to supply our vaccine in 2022 and beyond.
- Through these agreements, we have expanded the access to our vaccine to more than 70 countries worldwide and supplied approximately 4 million doses in 2022.
- To meet the demand, we scaled up our manufacturing capacity at our own manufacturing site and through our partnership with the US based contract manufacturer, Grand River.
- We entered into a 10-year supply contract with Canada valued up to USD 470 million, thereby continuing our 15-year long partnership to improve the country's preparedness.
- The European Commission approved an extension of the marketing authorization for our smallpox vaccine to include mpox and disease caused by vaccinia virus.
- The U.S. government exercised the first options valued at USD 119 million under the USD 299 million contract to supply a freeze-dried version of the mpox/smallpox vaccine.

Read more about our response to the global mpox outbreak on page → 13

2022 highlights — continued

RSV

- We initiated a global Phase 3 clinical trial of our MVA-BN RSV vaccine candidate for respiratory syncytial virus (RSV) in older adults. Enrollment of the planned 20,000 subjects was completed in December 2022.
- MVA-BN RSV was granted Breakthrough Therapy Designation by the FDA as well as access to the PRIME scheme by the EMA – both designations are intended to expedite the development and regulatory review of the product candidate.
- We entered a license and supply agreement with Nuance Pharma on the commercialization of MVA-BN RSV in China and selected Asian markets.

COVID-19

- We initiated a Phase 3 clinical trial of our COVID-19 booster vaccine candidate, ABNCoV2 in 4,000 subjects across USA, Belgium and Denmark.
- Additional positive data from the Phase 2 study were reported during the year, including six-month follow up data which demonstrated durable antibody levels across variants of concern.

Other developments

- We entered an agreement valued up to USD 83 million with the U.S. Department of Defense to further advance our MVA-BN-based vaccine candidate against Western, Eastern and Venezuelan equine encephalitis virus.
- Our commercial product portfolio was expanded through agreements with Valneva and Dynavax to market and distribute their travel vaccines in selected European markets.
- An additional bulk manufacturing line at our site in Denmark was completed to support transfer of Rabipur/RabAvert and Encepur to our own manufacturing facility.
- Our fill and finish facility was approved by the FDA and EMA for the final drug production of the mpox / smallpox vaccine.

Our response to the global mpox outbreak

A new, global health crisis emerged in 2022. Initially, like several times before in recent years, sporadic cases of human mpox were reported in Europe among returned travelers from areas in Africa where the disease is endemic. Also, like in previous cases, we were contacted by health authorities to assist with supplies of our smallpox vaccine for healthcare workers and close contacts.

However, it quickly became clear, that this outbreak was not following the same pattern of previous years. Unrelated cases were reported across several countries, and numbers rose rapidly. By the end of May, more than 600 cases were reported across nearly 30 countries and by year-end, this figure had increased to more than 84,000 cases in over 100 countries.

Facing this unexpected event with no prior experience to draw from, health authorities around the globe were challenged to implement measures while still trying to understand the epidemiology of this disease and how this outbreak was evolving. The sudden emergence and widespread incidence of the virus caused the World Health Organization (WHO) to declare it a Public Health Emergency of International Concern (PHEIC) – a declaration only used six times before, of which only two concerned outbreaks with global impact (Swine Flu and COVID-19), thus underlining the seriousness of the situation.

As the sole manufacturer of an approved mpox vaccine, we were contacted by authorities from dozens of countries, inquiring about the vaccine. Only limited supplies were readily available, as no commercial market had previously existed beyond the sales to a few government stockpiles for their biological preparedness against a related, but far more dangerous virus: smallpox.

However, we also had limited bulk vaccine in stock, which allowed us to rapidly initiate the final drug production (fill and finish) of the vaccine as demand rose during the first months of the outbreak. While our manufacturing lines were reserved for other purposes, and some parts even shut down due to a planned expansion, we acted swiftly and reprioritized our plans to enable scale-up of mpox vaccine production. Later in the year, we were also able to re-initiate manufacturing of the bulk vaccine to ensure the continued supply during 2022 and beyond.

Through numerous agreements with governments and organizations, we have distributed more than 4 million doses of the mpox vaccine during 2022, providing access for more than 70 countries worldwide. This work continues into 2023, as we remain committed to ensuring supply of the vaccine to our customers. We will also continue the dialogue with governments on planning of their future preparedness against mpox and other orthopox viruses.

The mpox vaccine

Our mpox vaccine, marketed as JYNNEOS® (US), IMVAMUNE® (Canada) and IMVANEX® (EU), is based on our proprietary technology, MVA-BN®.

Originally, we began the development of MVA-BN as a non-replicating smallpox vaccine suitable for immune-compromised people who are not recommended vaccination with traditional replicating vaccines. This development has been supported by the US government, through a series of development contracts since 2003. These contracts later evolved into procurement contracts, and we started delivering the vaccine in the current liquid-frozen formulation to the US in 2010 under an emergency use provision until approval by the U.S. Food and Drug Administration (FDA) in 2019, which included the mpox indication. In recent years, we have been contracted by the US government to manufacture bulk vaccine with the purpose of supplying a freeze-dried formulation of the vaccine with a longer shelf life. The freeze-dried version has completed the clinical development and activities are ongoing to prepare for submission of a supplement BLA to the FDA for this formulation.

Since 2008, we also have a long-standing partnership with the Canadian government on supplying the vaccine for both public health preparedness and for the national defense. In 2022, this collaboration was extended with a 10-year procurement agreement.

Expedited approvals for faster and broader access to the vaccine

While MVA-BN had already been approved for mpox in the U.S. and Canada, the approval in the EU only covered smallpox. Thus, in the initial mpox outbreak phase, countries within EU, but also outside, were providing the vaccines under local exemptions, such as emergency use provisions. Upon recommendation from the Emergency Task Force of the European Medicines Agency (EMA), we worked with the authorities to expedite a review of data to support an extension of the current approval of IMVANEX to include mpox. A positive opinion was adopted by EMA's Committee for Medicinal Products for Human Use (CHMP) in July 2022 and shortly after, the European Commission formally gave its approval, which is valid in all European Union Member States as well as in Iceland, Liechtenstein, and Norway.

Real-life effectiveness of the mpox vaccine

The approval of MVA-BN was based on a comprehensive non-clinical and clinical program encompassing more than 7,000 subjects. The vaccine's effectiveness was inferred from efficacy data from animal challenge studies and from a clinical trial which demonstrated a comparable immune response to ACAM2000, the US approved, replicating smallpox vaccine.

The 2022 outbreak was unprecedented and only limited knowledge of mpox and MVA-BN existed in the scientific community. To help increase awareness and knowledge, we have engaged with supranational institutions, government authorities and health care professionals through numerous interactions, and we have conducted symposia on mpox and presented clinical data on our vaccine at international scientific congresses.

The mpox outbreak has not only contributed to improved understanding about the disease and its epidemiology, but the widespread use of our vaccine has also provided important data on its use in a real-life setting. During the fall of 2022, the first effectiveness data were reported from national authorities and as more and more people have been vaccinated, more robust data have been presented and continue to accumulate.

Across several studies, the effectiveness of the vaccine after a single dose was shown to be consistently around 80% and data have confirmed the strong safety profile[1,2]. We have supported and continue to support multiple research groups working on the real-life evaluation of MVA-BN, and are also supporting two investigator-initiated trials, one studying the effectiveness of pre-exposure vaccination with MVA-BN in non-endemic countries and one determining whether MVA-BN can reduce mpox burden of illness in exposed household contacts of confirmed cases in endemic countries.

1 Effectiveness of a single-dose Modified Vaccinia Ankara in Human Monkeypox: an observational study, R.Arbel et. al, 2022. https://doi.org/10.21203/rs.3.rs-1976861/v2
2 Effectiveness of one dose of MVA-BN smallpox vaccine against monkeypox in England using the case-coverage method, Bertran M. et al., 2022. https://doi.org/10.1101/2022.12.13.22282654

A message from the Chair

Dear Shareholder,

Three years ago, we embarked on a new journey. Through a strategic acquisition, we endeavored to transform Bavarian Nordic into a commercial vaccine company with a global footprint. Leveraging our strong heritage in vaccine research, development and manufacturing, we added a commercial organization and expanded our presence to key markets with a growing portfolio of life-saving vaccines. This was a bold move, but also the right one for our company to ensure continued growth and long-term value-creation.

The diversification of our product portfolio has provided resilience to the challenges imposed by the market such as COVID-19. However, these challenges also created a new demand, and with that an unprecedented global awareness of vaccines and their role in improving public health and enabling an open world.

In 2022, we were called upon by governments from around the world to supply our mpox vaccine to help fight the global outbreak. For Bavarian Nordic and our employees, this has been a highly rewarding experience. Firstly, the huge impact of our work and our contribution to protecting and saving lives have made us immensely proud, and secondly, it has solidified the company, further enabling our efforts to develop new life-saving vaccines and growing the company.

After 15 years of serving on the Board of Directors, more than half of which I have had the distinguished pleasure to chair the board, I will step down at the annual general meeting in 2023. During my tenure, Bavarian Nordic has undergone a significant transformation, and has become an established player in the vaccine market with a diverse portfolio of in-house developed and acquired products. The pipeline has matured, and we have significantly expanded our footprint, through several manufacturing expansions and the establishment of a global commercial organization, which has driven our organizational growth to more than 1,000 employees today.

Our employees have enabled the success of Bavarian Nordic, and my thanks goes out to each one of you. With all the great achievements, we have accomplished over the past 15 years, I am proud, but also confident to hand over my responsibilities to Luc Debruyne, former President Global Vaccines at GSK, pending election at the annual general meeting and constitution of the Board in March 2023.

I would also like to thank my fellow board members and the executive management team for a great collaboration throughout the years, and not least their dedication and hard work to continuously drive Bavarian Nordic forward towards ambitious targets.

Finally, I would like to thank our shareholders for the trust you have shown me and the rest of the board over the years. It has been a privilege to lead the journey so far, and I wish both you and the Company a prosperous future.

Gerard van Odijk
Chair of the Board of Directors

Letter from the CEO

Prepared for the unexpected

2022 will go over in history as yet another year where things turned out completely different than we had anticipated for Bavarian Nordic. The outbreak of mpox, was a first of its kind and took the world by surprise, as no one was expecting an outbreak of this magnitude and there was little experience in managing the disease. Even after COVID-19, with all the lessons learned – or maybe re-learned from pandemics in the past – the public health system around the globe was still caught by surprise with the outbreak. One thing, however, fundamentally differed from the past: a vaccine had already been developed and licensed.

Paul Chaplin
President and CEO

Only six times over the past decade, the WHO has declared a Public Health Emergency of International Concern (PHEIC). The global mpox outbreak represents the most recent example and Ebola has twice been declared a PHEIC. At Bavarian Nordic, we have made significant contributions to the fight against both diseases. We partnered with Janssen in 2014 to further develop and manufacture an Ebola vaccine, which has been deployed several times to affected areas in West Africa, and which gained regulatory approval in 2020. And for mpox, we had already developed the smallpox vaccine, which was initially approved in the EU and Canada in 2013, and in the US in 2019 where mpox was added to the label.

Having an approved vaccine significantly reduced the time to action, and we swiftly changed our priorities to scale up manufacturing to be able to meet the increasing demand. Since then, we have worked tirelessly to manufacture and distribute our vaccine to countries all over the world. The same vaccine, which historically has been stockpiled in the less likely event of the re-emergence of smallpox, was suddenly used in real-life and became the preferred option for the prevention of mpox in millions of people. The call for our vaccine and our ability to deliver can largely be ascribed to the leadership and foresight of the US government to improve the public health preparedness. For two decades, we have partnered with them not only to develop our MVA-BN technology as a safer, non-replicating smallpox vaccine, but also to establish manufacturing to ensure supply of the vaccine, which has formed part of the US stockpile since 2010.

"We have worked tirelessly to manufacture and distribute our mpox vaccine to countries all over the world."

2022 was never meant to be about mpox. We were looking into a year with the continued after-effects of COVID-19, particularly on our travel vaccine franchise, which saw a significant decline during the pandemic. Combined with our significant investments in R&D to initiate two Phase 3 trials, we had forecasted a significant loss for the year. However, as things turned out, we ended up delivering an all-time high revenue and a positive EBITDA, supported by the unprecedented demand for our mpox vaccine, but also a strong performance in the rabies market, particularly in the US where we achieved record sales since RabAvert was licensed.

The global demand for mpox vaccines stretches into 2023 and even beyond. While many one-off orders were secured for delivery in 2022 and 2023, we also strengthened our relations with existing and new customers, resulting in longer-term commitments. In addition to our long-standing US partner, BARDA, we have also extended our contracts with Canada, and have established important partnerships with the EU's Health Emergency Preparedness and Response Authority (HERA) and the Pan American Health Organization (PAHO), which have been instrumental in expanding access to the mpox vaccine worldwide.

We have built a resilient business model based on a diverse product portfolio that addresses both the private travel segment and public health preparedness. It is our objective to grow these segments, while also expanding our portfolio through the advancement of our pipeline and a selective M&A approach. Through this combination, we aim 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 by 2025.

In February 2023, we took a significant step forward in this endeavor through an agreement with Emergent BioSolutions to acquire their travel vaccine portfolio of two marketed travel vaccines and one in late-stage development along with the manufacturing, research and development and sales capabilities to support this expansion, which will establish us as a global leader in travel vaccines. This transaction is now just awaiting customary closing conditions to be satisfied before it is complete.

In December 2022, we successfully completed the planned enrollment of 20,000 subjects in the Phase 3 study of our RSV vaccine. Results from the study are expected by mid-year 2023, potentially supporting approval of the vaccine for older adults in 2025. By then, we would expect a higher uptake, as the market will only start developing later in 2023, where the first RSV vaccines are expected to be approved. Our vaccine could enter as fourth in a market that is predicted to be on par with the flu vaccine market and with room for several players. During 2022, we entered a license and supply agreement with Nuance Pharma to commercialize the RSV vaccine in China and selected Asian markets, where we still have a first-in-market potential.

COVID-19 remains high on the agenda with the global authorities, although the market is transitioning to a private market, like flu vaccines. Continuously advancements are seen in the global vaccine development, however the regulatory requirements for COVID-19 vaccines have been subject to change, also affecting the timely initiation of our Phase 3 study of ABNCoV2, which was delayed into September 2022. Enrollment is continuing into 2023 and we expect to report topline results for the study in mid-2023.

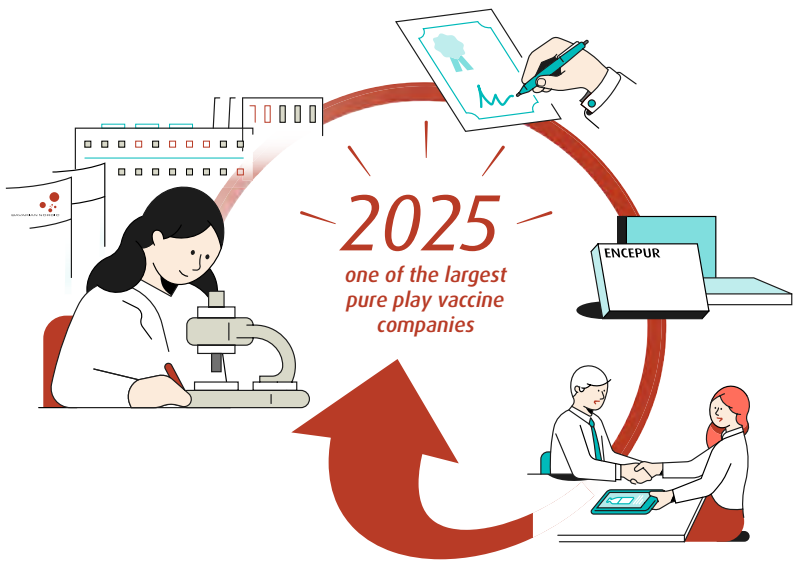
One of the core strengths of Bavarian Nordic, and of our employees, is the ability to always act swiftly to change. This is how we have steered through opportunities and challenges many times in the past and a key attribute to the success we have experienced over time. Even now, as we have reached more than 1,000 employees, we remain agile to ensure we can harvest opportunities as they arise, however, not least we remain inspired by being able to make a change in people's lives through innovation of novel vaccines.

Paul Chaplin
President and CEO

Our strategy and business

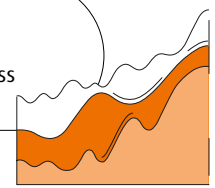
Our strategy

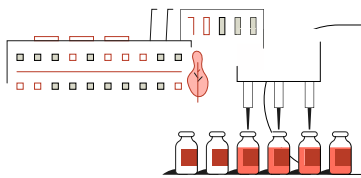
In 2020, we launched an ambitious five-year strategy. Building on our core strengths in vaccine research, development, and manufacturing, we accelerated our growth through a strategic product acquisition and expansion of our organization to include a full, global commercial infrastructure, thus becoming a full-fledged vaccine company with an aspiration to become one of the largest pure play vaccine companies by 2025 and deliver annual revenues of more than USD 1 billion.



To drive forward this ambition, we have clear and focused priorities:

Market excellence
Secure profitable growth from current business





Advance pipeline
Mature and expand in-house R&D projects

Strategic and selective M&A
Increasing revenue through acquisitions

Progress in 2022

Our significant role as a vaccine supplier during the global mpox outbreak demanded a shift in priorities in 2022, primarily affecting our manufacturing, but also other parts of our organization. Nevertheless, we managed to keep up the planned progress in our pipeline by advancing two pipeline programs into Phase 3 trials, both with significant potential to contribute to our long-term growth.

Markets
After a challenging year in 2021, where the travel vaccine market remained significantly hit by the COVID-19 pandemic, global travel picked up again and vaccine sales rebounded in 2022. While sales in the travel segment did not reach pre-COVID-19 levels, the quarter-by-quarter performance showed a clear growth trend that is expected to continue into 2023. Importantly, we succeeded in defending our market shares in key markets. The US domestic rabies business has been more resilient during COVID-19 and showed a historically high performance through 2022. Along with the mpox opportunity that arose during the year due to the global outbreak, which resulted in a significant and unexpected revenue stream, as well as the addition of new products to our portfolio through partnerships, our core vaccine business performed better than anticipated, resulting in all-time high revenues.

Pipeline
Our primary achievement in research and development in 2022 was the advancement of two key pipeline programs into Phase 3 trials. The RSV Phase 3 study was initiated in April and reached its enrollment target of 20,000 subjects on time in December 2022.The start of the Phase 3 study for our COVID-19 booster vaccine candidate experienced delays, due to late additional regulatory demands that have pushed the enrollment completion into 2023. We also received additional funding from the US government to further advance a program for an equine encephalitis vaccine.

Strategic and selective M&A
Growth through acquisitions has become an inherent part of our strategy. We apply a selective approach whereby we seek to expand our commercial portfolio with products that complement our existing business and with synergies to our existing manufacturing and commercial operations. During 2022, we have continued to explore M&A opportunities, resulting in a process for the acquisition of a portfolio of marketed and development-stage travel vaccines from Emergent BioSolutions, which was announced in February 2023 and now just awaiting customary closing conditions to be satisfied before it is completed.

Read more on the acquisition on page 23 →

Sustainability
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. During 2022, we have significantly enhanced our commitment to the global sustainability agenda and by integrating sustainability targets into our overall objectives, as well as into our remuneration principles, we have ensured accountability for our actions.

Read more on our sustainability performance on page 33 →

Sustainability Report

Key 2023 priorities

The positive market trends from 2022 for our core vaccine business are expected to continue into 2023 and together with increased deliveries of mpox vaccines (based on orders secured in 2022), we expect yet another record-breaking year for Bavarian Nordic. Importantly, both Phase 3 trials (RSV and COVID-19) are expected to deliver topline results during the year and throughout the organization, we are focused on activities that will support market launch of the products in the years to come.

Advance pipeline

Mature and expand in-house R&D projects

Strategic focus	2023 priorities
Launch of RSV vaccine for older adults through partnerships.	Report topline Phase 3 data, assuming statistical threshold has been met. Continue manufacturing activities to prepare for commercial launch of the product. Support the clinical development towards licensure of the vaccine in China with our partner Nuance.
Launch of COVID-19 booster vaccine.	Complete Phase 3 enrollment and report topline data. Continue manufacturing activities to prepare for a regulatory submission.
Approval of freeze-dried version of mpox/smallpox vaccine.	Complete transfer of freeze-dried manufacturing process to Bavarian Nordic, including final preparations for submission of a supplement BLA to the FDA.

Market excellence

Secure profitable growth from current business

Strategic focus	2023 priorities
Rabies and TBE	Defend and gain market shares for Rabipur/RabAvert and Encepur in key markets (US and Germany). Ensure a good customer service with continuous supply of both products.
Mpox	Deliver on secured orders, supported by own manufacturing and US-based CMO and continue dialogue with governments to secure preparedness.

Sustainability

Strategic focus	2023 priorities
Reduce our environmental footprint	Implement energy-saving measures at our manufacturing facility to reduce natural gas consumption thereby also reducing emissions. Waste recycling rate >50%.
A healthy, engaging and diverse workplace	Employee turnover equal to or lower than global industry standards. Maintain gender equality among leaders. Accident rate ≤ last 3-year average.

Outlook for 2023

The financial expectations for 2023 outlined below do not include the impact of the acquisition of the travel vaccine portfolio from Emergent BioSolutions announced in February 2023. The acquisition is pending final closing, upon which the Company will update its 2023 outlook. See also page 23.

2023 financial outlook

Revenue, DKK million

~6,000

EBITDA, DKK million

~2,200

Key assumptions

Revenue
The revenue guidance reflects the following assumptions:

- Smallpox/mpox vaccines: only confirmed orders have been included and amounts to approximately DKK 4,400 million.
- Both the rabies and the TBE businesses are expected to grow with more markets expected to return to pre-COVID levels.
- Ebola revenue will only be included based on actual orders. No revenue included in the guidance.
- Milestone payments of DKK 195 million in total, which will be triggered by the expected start of Phase 1 and Phase 3 clinical trials of the RSV vaccine in China under our agreement with Nuance Pharma. No other RSV income assumed in 2023.

Research and development costs
- Total investments in research and development amount to approximately DKK 1,900 million, including ABNCoV2 capitalized costs of approximately DKK 300 million.
- Non-capitalized research and development costs amount to approximately DKK 1,600 million of which the RSV project accounts for approximately DKK 1,000 million.

Investments
- Capitalization of tech-transfer activities for acquired vaccines: approximately DKK 100 million
- Capitalization of ABNCoV2 development costs: approximately DKK 300 million.
- Milestone payments to AdaptVac of approximately DKK 300 million; pending successful outcome of the Phase 3 study and regulatory submissions.
- Other tangible investments: approximately DKK 250 million.
- Net working capital is expected to increase by approximately DKK 1,500 million due to planned inventory buildup during tech-transfer of manufacturing from GSK and due to increased sales.

The outlook is based on the following assumptions on currency exchange rates of DKK 7.00 per 1 USD and DKK 7.45 per 1 EUR.

Strategic acquisition of travel vaccine portfolio

In February 2023, we announced an agreement with Emergent BioSolutions to acquire their travel vaccine portfolio, which includes two marketed vaccines for the prevention of typhoid fever and cholera and a Phase 3 vaccine candidate in development for the prevention of Chikungunya virus, all products that will expand and diversify our portfolio and establish us as a global leader in travel vaccines.

The agreement also includes a vaccine manufacturing facility in Switzerland, an R&D site in California, and a specialty sales force in both EU and US markets, in total encompassing approximately 280 employees.

This acquisition is aligned with our strategy to expand our commercial footprint through organic growth and launch of new products from our own R&D pipeline, combined with a selective M&A approach. The addition of two market-leading, and revenue-generating vaccines provides clear commercial synergies to our existing business by enhancing our US presence and increasing scale in European markets, where we are not present today.

In addition to the manufacturing of the acquired vaccines, the Swiss facility will add to our overall capacity and together with our existing facilities provide expanded future flexibility and optionality. Operations at the facility will remain uninterrupted during the take-over, which is also the case for the R&D facility in San Diego, US, which is focused on bringing the Chikungunya vaccine candidate to the market. Chikungunya represents a significant market opportunity, as there are no approved vaccines for the prevention of the disease, which is spread to humans by infected mosquitoes. The disease can cause severely debilitating joint pain and is prevalent in many tropic and subtropic regions visited by Western travelers.

Building on our successful experience from the takeover and integration of two vaccines from GSK in 2020, we see this acquisition as a low-risk transaction with a significant potential to grow existing markets for the commercial products which are underprioritized today and with a large upside from the Chikungunya program.

A brief overview of the acquisition

Total acquisition price of up to USD 380 million, including USD 270 million in an upfront payment and up to USD 110 million in future conditional milestone payments, subject to the successful development of the Chikungunya vaccine (USD 80 million) and sales performance of the marketed vaccines (USD 30 million).

Financial implications in 2023 of the travel vaccine portfolio acquisition from Emergent BioSolutions

The acquired business is expected to add approximately DKK 200 million to revenue and a loss of approximately DKK 400 million to EBITDA, not included in the current company financial guidance for 2023.

The expected loss is due to investments in the Chikungunya Phase 3 program and inclusion of necessary one-off integration costs. The financial impact from the acquired business is pending final closing of the transaction and the timing thereof after which the Company will update its full-year guidance.

Manufacturing facility

Cell-culture based facility in Bern, Switzerland

R&D capabilities

San Diego, CA. USA

Commercial operations

EU and US specialty sales force

~280 employees

2 marketed vaccines

Vivotif® typhoid vaccine
Vaxchora® cholera vaccine

Approved in >25 markets in US/EU

325 mUSD

estimated annual market size

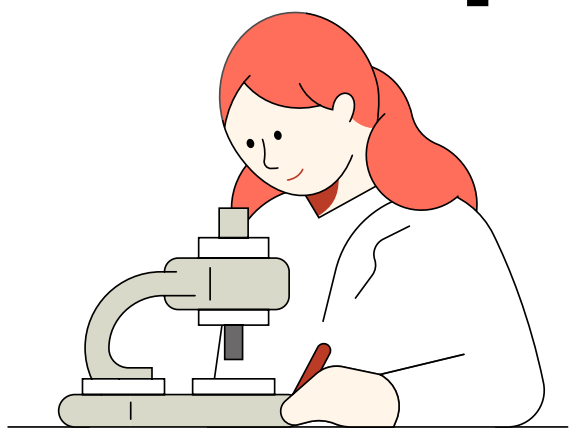
Phase 3 vaccine candidate

CHIKV VLP vaccine candidate targeting Chikungunya

Potential launch in 2025

500 mUSD

estimated annual market size



Research and development

Solid progress was made in our pipeline during 2022, where we advanced two programs into Phase 3 clinical trials. Both programs are expected to deliver topline results in 2023 and they both hold the potential to significantly contribute to our growth strategy and save lives. Additionally, our program for an equine encephalitis vaccine was re-introduced into the pipeline after reaching an agreement with the U.S. Department of Defense, who will fund the further development of the vaccine.

Our clinical pipeline
A detailed description of the pipeline programs, including results from clinical trials, is disclosed in company announcements and in the pipeline section on our website:

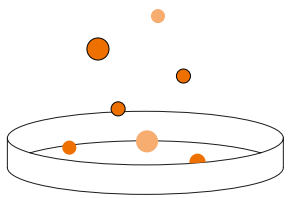
www.bavarian-nordic.com

Indication	*Product candidate*		*Phase 1*	*Phase 2*	*Phase 3*	
RSV	**MVA-BN RSV**	Phase 3 enrollment completed. Topline results expected mid-2023				Addressing a large unmet medical need in respiratory disease in the older population → Read more on page 26
SARS-CoV-2	**ABNCoV2**	Phase 3 enrolling with expected completion and topline results in mid-2023.				Next-generation COVID-19 booster vaccine candidate designed for broad protection without need for variant-specific adaptation. → Read more on page 28
Equine encephalitis	**MVA-BN WEV**	Phase 1 completed. Phase 2 planned in 2024				US-funded development program to develop a vaccine against variants of mosquito-borne equine encephalitis. → Read more on page 30
Immuno-oncology	**TAEK-VAC**	Phase 1 ongoing				Targeted immunotherapy designed to arm the body's own immune system to seek and destroy cancer cells. → Read more on page 31

RSV

Our vaccine candidate has been designed to provide broad protection against respiratory syncytial virus (RSV). The high level of protection demonstrated in a human challenge trial provides us confidence that the vaccine has significant potential in the future market for RSV vaccines.

MVA-BN® RSV vaccine candidate with competitive Phase 2 efficacy data in older adults



Completed enrollment of 20,000 subjects in global Phase 3 study, data expected mid-2023

Partnership in place for China and selected Asian markets

MVA-BN RSV is being developed for prevention of RSV in older adults. The vaccine candidate is based on our proprietary vaccine platform technology, MVA-BN, and incorporates five distinct RSV antigens to stimulate a broad immune response against both RSV subtypes (A and B). In a clinical Phase 2 double-blinded, placebo-controlled human challenge trial, a significant reduction in viral load was reported in vaccinated subjects versus placebo and MVA-BN RSV demonstrated a vaccine efficacy of up to 88.5% when active RSV infection was confirmed by cell culture[3].

We have previously reported 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[4].

Clinical trials to-date have furthermore shown MVA-BN RSV to have an acceptable safety profile as previously observed for MVA-BN or other recombinant MVA-BN based vaccines.

Based on the preliminary clinical evidence, indicating that the vaccine may demonstrate a substantial improvement over available therapy on a clinically significant endpoint, MVA-BN RSV received special designations from U.S. and EU regulatory authorities in 2022, intended to expedite the development and regulatory review of the product candidate. In February, the U.S. Food and Drug Administration (FDA) granted MVA-BN RSV Breakthrough Therapy Designation for the prevention of RSV in older adults, and in June, the European Medicines Agency (EMA) granted access to its priority medicines (PRIME) scheme for MVA-BN RSV in active immunization for the prevention of LRTD caused RSV in adults ≥60 years of age.

As part of the strategy to commercialize the vaccine globally, we entered into a regional license and supply agreement with Nuance Pharma in the first quarter of 2022 on the development and commer-

3 https://www.medrxiv.org/content/10.1101/2022.12.02.22283030v1.full.pdf
4 Jordan E. et al. 2010. J. Infect, Dis. 28:223(6). 1062-1072

cialization of MVA-BN RSV for adults in China and selected Asian markets. The milestone-based agreement has a total value of up to USD 225 million in addition to tiered, double-digit royalties. Nuance Pharma obtains rights to commercialize MVA-BN RSV in Chinese Mainland, Hong Kong, Macau, Taiwan, South Korea and Southeast Asia and will be responsible for all material costs, including development and regulatory. Nuance Pharma is planning the initiation of a Phase 3 trial of MVA-BN RSV in 2023.

In April 2022, we initiated a global, randomized, double-blind Phase clinical study of MVA-BN RSV in adults ≥60 years of age. The primary objective of the study will assess the efficacy of the vaccine candidate against lower-respiratory tract disease (LTRD) caused by RSV compared to placebo. In December 2022, we reached the planned enrollment of 20,000 subjects in the study. Topline results from the study are anticipated in mid-2023.

About 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.

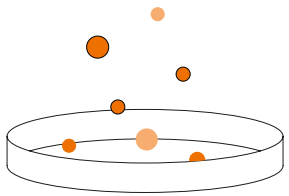
Infants, older adults and immunocompromised individuals are most susceptible to serious complications from infection with RSV. An estimated 5.2 million cases of RSV occurred in high-income countries among adults aged ≥60 years in 2019, leading to 470,000 hospitalizations and 33,000 in-hospital deaths[5], thus representing a significant burden to the healthcare system. Currently there is no approved vaccine against RSV.

5 Savic, M.; Penders, Y.; Shi, T.; Branche, A.; Pirçon, J.-Y. Respiratory syncytial virus disease burden in adults aged 60 years and older in high-income countries: A systematic literature review and meta-analysis. Influenza Other Respir Viruses 2023, 17, e13031.

COVID-19

A post-pandemic market for COVID-19 vaccines is shaping up. Broad and durable protection are key differentiators for a commercially viable vaccine and based on clinical results demonstrated thus far, our vaccine candidate is well-positioned to take a share of the future market.

ABNCoV2, a VLP-based, non-adjuvanted COVID-19 booster vaccine candidate



Phase 2 data demonstrated durable and broad antibody responses against variants of concern

Phase 3 ongoing with read-out in 2023

ABNCoV2 is a virus-like particle (VLP)-based vaccine candidate in development as a universal booster vaccine for COVID-19. 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 licensed the vaccine candidate from AdaptVac.

We have concluded the Phase 2 clinical development of ABNCoV2 with results confirming the vaccine candidate's ability to boost neutralizing antibodies to levels reported to be highly efficacious against SARS-CoV-2, both when used for primary vaccination and when used as a booster in subjects previously vaccinated with mRNA- or adenovirus-based vaccines. A global Phase 3 trial of the vaccine candidate was initiated in 2022 with anticipated results in 2023.

Phase 2 – additional results reported during 2022

Primary results from the Phase 2 clinical program were reported in 2021, showing that vaccination with 100ug ABNCoV2 in 103 seropositive subjects (previously vaccinated with approved mRNA- or adenovirus-based vaccines) was able to demonstrate a strong boosting effect, increasing the existing levels of SARS-CoV-2 neutralizing antibodies against both the Wuhan variant and variants of concern (Alpha, Beta, Delta) to levels reported to be highly efficacious (>90%) against SARS-CoV-2[6].

During 2022, we reported additional results from the ABNCoV2 Phase 2 clinical program:

- In February, we reported results from a seropositive group (n=66) receiving a lower booster dose (50 µg) of ABNCoV2 and a seronegative group (n=28) receiving two doses of ABNCoV2 (100 µg) four weeks apart. In both groups, high levels of neutralizing antibodies against SARS-CoV-2 were observed.

- In May, we reported further data from the seropositive groups, showing that vaccination with either 50 µg or 100 µg of ABNCoV2 induced a significant boost to the neutralizing antibodies against the Omicron variant in the majority of subjects (87%).

6 P. B. Gilbert et al., Science 10.1126/science.abm^{3}425 (2021)

- In October, we reported follow-up results, demonstrating that six months post the booster vaccination with ABNCoV2, the neutralization antibody titers against Wuhan and the Omicron variant remained high and at levels associated with a greater than 90% efficacy. Six months post vaccination, neutralization titers were six times higher than pre-boost titers against Wuhan and nearly 10 times higher than the pre-boost titers for Omicron BA.1. This represented less than a 50% decline in the peak neutralizing titers after six months. Compared to the data published for mRNA vaccines[7,8,9], the antibody decay appears less sharp, indicating a potentially longer duration of protection across variants of concern.

The vaccine was generally well-tolerated, with no related serious adverse events reported and no relevant difference in the safety profile between subjects receiving either 50 µg or 100 µg of ABNCoV2.

Phase 3 initiated – data expected in 2023

In September 2022, we initiated a double-blind, controlled Phase 3 clinical trial of ABNCoV2 in 4,000 adult subjects who either previously completed primary vaccination or have already received one booster dose of a licensed COVID-19 vaccine. One cohort is evaluating the safety and tolerability of the vaccine in 3,000 subjects receiving a single 100 µg dose of ABNCoV2 (US sites). A second cohort of 1,000 subjects, who are randomized to receive either a single 100 µg dose of ABNCoV2, or a single 30 µg adult booster dose of Comirnaty (Denmark and Belgium sites)

The primary endpoint of the trial is to assess non-inferiority of ABNCoV2 compared to Comirnaty® in terms of neutralizing antibodies against the SARS-CoV-2 (Wuhan wild type). Other variants of concern will be assessed as secondary endpoints.

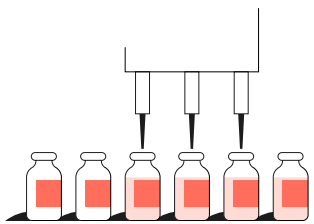
Initial trial results are expected in mid-2023.

The Phase 3 development of ABNCoV2 is largely funded through an agreement with the Danish State.

7 Bellusci et al. Antibody affinity and cross-variant neutralization of SARS-CoV-2 Omicron BA.1, BA.2 and BA.3 following third mRNA vaccination
8 Forgacs et al. The Effect of Waning on Antibody Levels and Memory B Cell Recall following SARS-CoV-2 Infection or Vaccination
9 Qu et al. Durability of Booster mRNA Vaccine against SARS-CoV-2 BA.2.12.1, BA.4, and BA.5 Subvariants (letter)

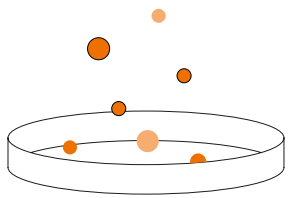
Equine encephalitis

Continuing our long-standing collaboration with the US government on public health preparedness, our MVA-BN vaccine platform technology has been selected for the development of a vaccine against the rare, but potentially deadly mosquito-borne viruses: western, eastern and Venezuelan equine encephalitis virus.



MVA-BN® WEV has completed Phase 1 clinical development demonstrating potential for broad, and long-term protection

Development funded by the U.S. Department of Defense



Phase 2 planned for 2024

MVA-BN WEV is a multi-valent vaccine candidate developed under contracts with the US government to address the unmet medical need for a vaccine against western, eastern and Venezuelan equine encephalitis viruses, which are rare, but potentially deadly viruses transmitted to humans by mosquitos.

The first contract valued up to USD 36 million was awarded by the U.S. Department of Defense (DoD) in 2018 and included the demonstration of protective efficacy in animals and a Phase 1 first-in-human trial of MVA-BN WEV. Results from this trial were reported in 2020, showing that the vaccine was well tolerated and immunogenic across all dose groups. Neutralizing antibody responses were observed against Venezuelan equine encephalitis virus in all dose groups, with peak levels reached after the second vaccination. Recent data has confirmed neutralizing antibody responses also against western and eastern equine encephalitis viruses that were durable throughout the six-months follow up period.

In December 2022, we entered a new agreement valued up to USD 83 million with DoD for the advanced development of MVA-BN WEV. The base agreement of USD 55 million has been secured for the period 2023-2026 and covers the costs for a clinical Phase 2 dose finding study of MVA-BN WEV, further non-clinical studies, process development and manufacturing of clinical trial material. Furthermore, the agreement includes options valued at USD 28 million to support Phase 3 preparations.

About equine encephalitis viruses

Western, Eastern and Venezuelan equine encephalitis viruses belong to the family alphavirus, and are transmitted through mosquitos, as well as birds and some mammals. While the viruses vary in infection rates and severity of disease, all three pathogens are associated with risks of flu-like symptoms, potential central nervous disorders, and death. All three viruses are considered as potential biological threats, having been investigated as potential biological weapons at various times in the past century. The viruses belong to the U.S. list of prioritized pathogens amongst other agents, like smallpox, anthrax and other lethal diseases, which are covered by the current vaccination policy for U.S. military personnel being deployed around the globe. However, there are currently no approved vaccines for human use against any of the equine encephalitis viruses.

In recent years, the U.S. has seen a rise in human cases of eastern equine encephalitis, particularly in the southern and northeastern parts of the country, correlating with increased observations of mosquitos carrying the virus in these regions. According to the U.S Centers for Disease Control and Prevention (CDC), 38 cases were reported in 2019, compared to an annual average of 7 cases over the past decade. On average, more than 4 of 10 infected individuals die after contracting the virus .

10 https://clinicaltrials.gov/ct2/show/NCT04131595
11 https://www.cdc.gov/easternequineencephalitis/statistics-maps/index.html

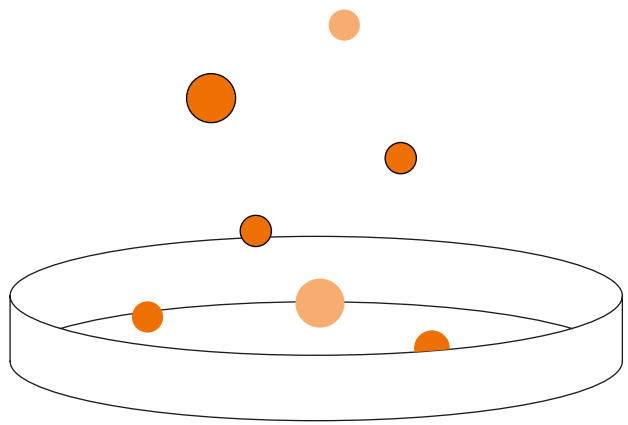
Immuno-oncology

While infectious disease vaccine remains our primary focus, we have continuously worked to advance our science through the discovery of novel immunotherapy candidates with potential to transform oncology treatments.

TAEK-VAC represents a next generation immuno-oncology candidate, which leverages our MVA-BN platform technology, purposed to arm the body's own immune system to seek and destroy cancer cells.

Providing the body with as many tools as possible significantly increases its chances to eradicate the disease. This tactic includes: priming antigen-specific T-cell activation; inducing T-cell expansion, migration and invasion into tumor sites; modifying tumor microenvironments to allow T-cell function and killing; induction of natural killer cells to account for tumor cells that cannot be recognized by T-cells; and overcoming T-cell inhibitory (checkpoint) signals.

A Phase 1 open label trial of intravenous administration of the vaccine candidate in patients with advanced HER2 and brachyury-expressing cancers is ongoing. During 2022, the first stage of the study was completed, confirming the dose for stage 2, which has now opened for enrollment. In this stage, two cohorts will initially enroll patients with either chordoma (TAEK-VAC given as monotherapy) or HER2-positive breast cancer (TAEK-VAC in combination treatment with trastuzumab). Once safety of the combination treatment has been established in the second cohort, two further combination treatment cohorts will be opened for recruitment.



Sustainability

- → ***Protecting our tomorrow***
- → ***Climate-related financial disclosures***
- → ***ESG key figures***

Protecting our tomorrow

Protecting lives is our core business, and 2022 was truly a year of proof of our ability to make an impact on public health, which was demonstrated by our efforts to secure access to our mpox vaccine globally. With several pipeline candidates in late-stage development, which could potentially be approved in a few years, we aim to launch more vaccines that address significant unmet medical needs

In the endeavor, we remain aware of our responsibility to the global community beyond public health, and during 2022, we have continued to advance our efforts secure a sustainable and responsible business in the future. This commitment is reflected in a strengthened accountability for our actions, through the incorporation of relevant environmental, social and governance (ESG) targets into the remuneration principles for the Executive Management and the organization as a whole.

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

Read our Sustainability Report

Climate-related financial disclosures

In 2022, we mapped our key risks and opportunities arising from climate change. We conducted our first scenario analysis based on the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).

Specifically, we assessed climate-related risks and opportunities against two physical and two transition scenarios under different timeframes, and current and planned actions to mitigate risks and leverage opportunities have been identified.

Our assessment did not reveal significant financial or operational risks to our business in the short- to medium term. Going forward, we will assess climate-related risks and opportunities against the selected scenarios as part of our annual enterprise risk management process.

The TCFD recommendations provide a framework for disclosure of the governance, strategy, risk management and metrics and targets used in the assessment of the company's climate-related risks and opportunities. Our compliance with the recommendations is outlined in the table below.

Task Force on Climate-related Financial Disclosures (TCFD) reporting recommendations

Recommendation	Our disclosure in brief
Governance Disclose the organization's governance around climate-related risks and opportunities.	As with the general risk management, we have anchored the responsibility and oversight of environment, social and governance (ESG) issues with the Finance, Risk and Audit Committee in the Board of Directors. Our executive management is responsible for executing the sustainability strategy by setting targets and driving actions in their respective functions. Our ESG Committee, which is chaired by a member of executive management, comprises subject-matter experts from the organization who ensure that activities are aligned and communicated to stakeholders, externally as well as internally. To strengthen accountability for our actions, sustainability is linked to the performance-based remuneration throughout the company, including Executive Management. Read more in the Sustainability Report →
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	The initial assessment, which we conducted in 2022, did not reveal any significant near-term risks or opportunities when testing against the selected climate-related scenarios. Going forward, the assessment will be integrated in our annual review of the business strategy and in our Enterprise Risk Management (ERM) process and resilience plans will be developed as needed.
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.	To integrate the identification and management of climate hazards and/or the risks posed by the transition to a low-carbon economy into our existing systems and processes, we have integrated climate assessments into our Enterprise Risk Management (ERM) process, which is coordinated by the Finance department and reported to the Finance Risk and Audit Committee. Each risk has a defined risk mitigation plan directed by relevant members of the senior leadership team.
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Relevant climate-related metrics are disclosed in the table on the next page with further details available in our sustainability report. We have not yet set any targets. However, during 2022, we have established a baseline to enable goal setting for future reductions in energy and emissions. Read more in the Sustainability Report →

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	2022	2021	2020	2019	2018
Environmental data[1]						
CO_2e, scope 1	Metric tons	1,765	1,422	1,381	909	964
CO_2e, scope 2	Metric tons	988	1,085	1,175	1,178	1,398
Energy Consumption	GJ	53,325	42,577	45,110	34,137	32,527
Water Consumption	m^3	21,772	17,023	19,170	14,770	11,610
Social data[1]						
Full-Time Workforce	FTE	874	734	607	465	421
Gender Diversity[2]	%	59	61	61	N/A	N/A
Gender Diversity, Management	%	55	56	56	51	50
Employee Turnover Ratio	%	19	14	9	10	13
Sickness Absence[3]	Days per FTE	8	7	6	6	6
Governance data[4]						
Gender Diversity, Board	%	20	29	29	29	14
Board Meeting Attendance Rate	%	99	99	97	98	97
CEO Pay Ratio	Times	22	16	16	15	N/A

1 Data derived from the Company's sustainability reports 2018-2022.
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 2018-2022, except for CEO pay ratio, which is presented in the 2022 remuneration report.

Corporate information

- → *Corporate governance*
- → *Risk management*
- → *Shareholder information*
- → *Board of Directors*
- → *Executive Management*

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 2022 on the Company's website:

→ www.bavarian-nordic.com/corporategovernance

The Board of Directors

At the beginning of 2022, the Board of Directors ("the Board") consisted 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 and deputy chair from among its members. The employee representatives are elected by the employees for a four-year term, which expires in 2025 for the currently elected employees.

Member of the Board since 2010, Erik G. Hansen did not seek re-election at the 2022 annual general meeting, and in August, Elizabeth McKee Anderson, member of the Board since 2017, resigned from her position due to conflicting interests as she assumed a similar role with the board of GSK. Both positions remained vacant during the year.

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: a Finance, Risk and Audit Committee, a Nomination and Compensation Committee and a Science, Technology and Investment Committee. The committees, which comprise only shareholder-elected members of the Board 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:

Board committees

Diversity in the Board

The Board of Directors currently has a representation of one female member elected by the shareholders. On 23 August 2022, the other female member elected by the shareholders at the annual general meeting in April 2022 resigned from the Board. The Board of Directors has since initiated a process to identify one or more new candidates for recommendation for election at the annual general meeting in March 2023 and the Board of Directors expects by then to adhere 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 2022 self-evaluation was facilitated by an external consultant and, in general, key conclusions were positive with a continued satisfaction with the Board's work as well as the work in the committees. Organizational development and continued optimization of Board meeting planning and efficiency will continue to be a focus area in 2023.

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

Remuneration policy and report

The remuneration of the Board and the Executive Management is governed by the remuneration policy which was updated in 2022 and subsequently approved by the shareholders at the annual general meeting on April 5, 2022.

In accordance with section 139 b in the Danish Companies Act, Bavarian Nordic has prepared a report on the remuneration of the individual members of the Board and Executive Management in 2022.

Remuneration Policy

Remuneration Report

Business ethics

To ensure corporate oversight of the Company's global business ethics compliance risks, we have a Business Ethics Compliance Committee who represents Executive Management and relevant business functions and who meets regularly to review and assess risks, training, and the levels of compliance. The Finance, Risk and Audit Committee receives regular updates from the Business Ethics Compliance Committee. In 2022, it was decided – in line with the Company's growth – to appoint a global Chief Compliance Officer who, together with the Business Ethics Compliance Committee, has overall oversight of the Company's global compliance program. At the same time, it was decided to appoint a US Compliance Officer to have specific oversight of the US compliance program.

Business ethics is prioritized on all levels in the organization, and all employees are trained annually in our Code of Conduct, which is also available to external stakeholders via our website. Violations of the Code of Conduct may be reported through the Ethics Hotline (whistleblower scheme), which is also accessible on our website. There were no reports in 2022.

Code of Conduct

Ethics Hotline

Data ethics policy

Bavarian Nordic has a data ethics policy to ensure we maintain strong data ethics in our company. The data ethics policy is based on 8 principles and supplements our general procedures and policies for processing (personal) data.

In 2022, we have carried out initiatives to support the data ethics principles. We have implemented new procedures as well as improved existing procedures about how we use data. Further, a series of awareness training activities have been carried out for relevant stakeholders to make sure relevant stakeholders know how to use data in compliance with our data ethics policy.

We continue to actively work with supporting and implementing the data ethics principles into our way of doing business.

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 are 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

See all our policies on:

→
www.bavarian-nordic.com

Risk management

Bavarian Nordic's business model spans the full value chain from research and development, over production to commercialization and rests on the ability to innovate and commercialize new vaccines. The business model covers 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.

Bavarian Nordic has a thorough risk management and mitigation process, whereby 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 Finance, Risk and Audit Committee (FRAC) owns and overseas the risk management process and is closely monitoring the risks on a quarterly basis, including selected deep dives on specific risks. The Board of Directors receives regular risk updates from FRAC which is taken into consideration in the Board's overall decisions about the company strategy.

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 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
Manufacturing and Supply	Disruptions to Bavarian Nordic's supply chain caused by breakdowns in facilities and/or manufacturing issues could have a significant impact on the ability to supply products at the right time and could impact both customer relations and financial performance.	• Update and maintain risk assessment for equipment and implement preventive maintenance where necessary • Dual sourcing strategies to secure adequate inventory levels • Ensure redundant equipment where possible • Adequate inventory for all core components. • Internal quality audits, including mock inspections. • Shelf-life extension initiatives • Disaster recovery plans and backup strategies.

To be continued

Risk area	Risks	Mitigating actions
Cybersecurity	Disruptions, including hacking, malware, or other external attempts to disrupt Bavarian Nordic's ability to operate, could have a significant impact on the Company's IT infrastructure and systems, from inability to perform operationally to inability to perform commercial sales or perform R&D. The impact could influence revenue or costs.	• Constantly having continuity plans updated; Incl. having updated internal processes for data recovery • Internal procedures for security monitoring and vulnerability assessment. • Plans for micro-segmentation to reduce the impact of attacks • Training and awareness campaigns both inside the IT department and within the business. • Externally performed maturity assessments test, incl. gap analysis and gap closure plan identification • 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 a third party
Development of the future pipeline	Bavarian Nordic is strategically and operationally focused on the development of two phase 3 studies which require significant internal resources, focus and funding. The development of products in the pipeline including 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.	• Professional vendors selected for supporting the clinical trials; close and constant follow up from Bavarian Nordic • Close dialogue with authorities (e.g., FDA and EMA) 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. • Communication with experts and regulators, to discuss regulatory strategy and development of recommendation
Systems and Processes	Bavarian Nordic is constantly developing and maturing processes and systems to support expansion and growth; in-efficient processes or systems could restrict BNs ability to scale up and deliver on the growth potential across products and markets	• Investment in internal Systems incl ERP and BI systems • Constant standardization of processes and quality systems • Employee training
Failure to supply from vendors or subcontractors	Bavarian Nordic is increasingly using Contract manufacturers (CMOs) and these vendors may be delayed or fail in delivering. Such delays will impact the Company's ability to deliver and generate revenue or progress development as planned. The delivery from such contract manufacturers is dependent on the ability to transfer the technology used; such transfer may fail or be delayed which could cause delays to Bavarian Nordic's delivery and revenue. Bavarian Nordic is dependent on timely delivery of materials for production or R&D; supply chain challenges could delay or hinder BNs revenue or ability to pursue growth opportunities	• Strong internal Sales and Operations planning and governance • Continuously demand planning for +24months across products and markets • Adequate safety inventory for core products • Quality control during technology transfer phase • Close supply chain control and direct monitoring of key vendors

Risk area	Risks	Mitigating actions
Laws, Regulations and Compliance	Not complying with laws, incl anti-corruption laws, regulations or any other compliance requirements 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. • Internal and external legal resources available. • Monitor development in relevant laws and regulations. • Allocation of internal resources to secure adaptation of new rules and regulations. • Constant monitoring by the Business Ethics Compliance Committee
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 than Bavarian Nordic. If Bavarian Nordic cannot effectively compete in these markets, it will have an adverse impact 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 crises, 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 an 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.

Risk area	Risks	Mitigating actions
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.
Not living up to external ESG requirements	Increasing demands for transparency and progress on ESG coming from multiple stakeholders as investors, lawmakers, customers, partners and future talents. There is a risk of not living up to the changing and increasing standards that can impact the ability to attract funding, customers, suppliers or new employees	Continuous follow, review and assess new and changing requirements and take actions accordingly Set and deliver on targets/selected ESG KPIs that demonstrate Bavarian Nordic's commitment to drive sustainable business and deliver on ESG Develop systematic and efficient data structure and platform
Attraction and retention of talent and employees	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 develop key talents, incl talent programs

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 e.g. 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 the timing of income from partner agreements. • Maintain working capital at appropriate levels to free liquidity. • Keep spending and investments at appropriate levels to stretch the liquidity runway. • Ensure 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
Intellectual property rights (IP)	The validity of patents is crucial for the company to secure future revenues and return on the investments made in development. Patents might be challenged by competitors.	• Dedicated and experienced resources involved in the filing of patent applications to minimize vulnerability to future invalidity actions, and with ability to defend patents if such actions are filed.
Currency exposure and tax disputes *Currency risks and additional financial risks are further explained in note 23 in the consolidated financial statements.*	Significant fluctuations in the DKK/USD and other currencies which Bavarian Nordic is, or could be exposed to, could 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.

Shareholder information

Bavarian Nordic has been listed on the Nasdaq Copenhagen exchange since 1998 under the symbol BAVA. The Company is included in the OMXC25 index and the OMXC Large Cap index.

For US investors, Bavarian Nordic has a sponsored Level 1 American depositary receipt (ADR) program with Deutsche Bank Trust Company Americas acting as the depositary bank. Three ADRs represent one Bavarian Nordic share and the ADR symbol is BVNRY.

Share capital

The Company's share capital was DKK 707,353,760 by year-end 2022, comprising 70,735,376 shares with a nominal value of DKK 10 each. Each share carries one vote.

During the year, 266,983 new shares were issued as a consequence of warrant exercise by employees during the year, raising proceeds of DKK 38 million.

By December 31, 2022, there were 3,652,007 outstanding warrants, which entitle warrant holders to subscribe for 3,652,007 shares of DKK 10 each. Thus, the fully diluted share capital amounted to DKK 743,873,830 at year-end, comprising 74,387,383 shares. For further information about outstanding warrants, see note 30 in the consolidated financial statements.

Ownership

At the end of 2022, Bavarian Nordic had approximately 112,000 registered shareholders owning 92% of the outstanding shares. The remaining 8% were held by non-registered shareholders. Bavarian Nordic held 0.21% of the share capital as treasury shares, which have been repurchased to meet obligations under incentive schemes for the Company's Board and Executive Management. See note 30 in the consolidated financial statements.

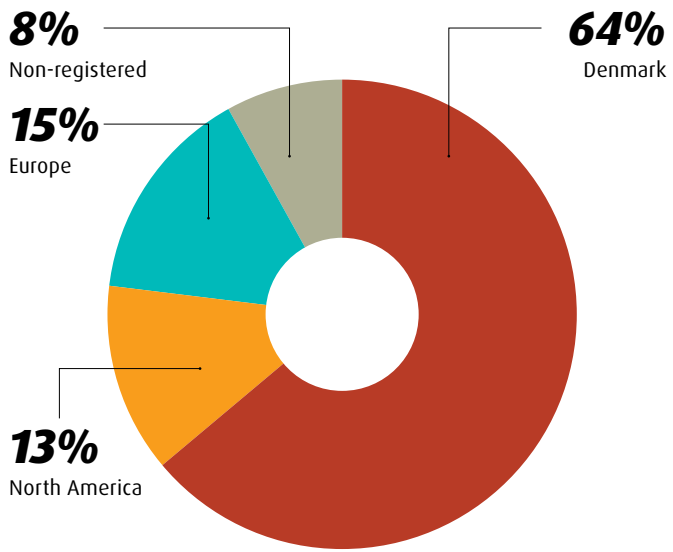
The following shareholder had publicly informed Bavarian Nordic that they own five per cent or more of the Company's shares:

ATP Group, Hillerød, Denmark, 10.12% as of December 31, 2022

Share price development

Bavarian Nordic's shares closed the year at DKK 213.40, corresponding to a 21% decrease over the year, compared to a decrease of 13% in the OMXC25 index and a decrease of 11% in the Nasdaq Biotechnology (NBI) index.

Distribution of share capital



The year-low was DKK 115.75 on May 9, 2022, and the year-high was DKK 401.70 on August 3, 2022 – based on the daily closing prices of Bavarian Nordic's shares. An unusually high price volatility could be observed in the international stock market in general and in the Bavarian Nordic share in particular. External factors like the war in Ukraine, high inflation and rapidly rising interest rates caused uncertainties in the market. For our share specifically the mpox outbreak created an unprecedented awareness that had a significant spillover effect on the share price.

At year-end Bavarian Nordic had a market capitalization of DKK 15 billion.

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. This work is carried out by Management and Investor Relations through frequent interactions with the investor community via participation in investor conferences, meetings and conference calls.

Through our online shareholder portal, registered shareholders can request admission cards and/or vote by proxy for the general meetings. The shareholder portal can be accessed via our investor relations website, along with financial reports, company announcements, investor presentations, and more. To register shares by name, shareholders must contact their custodian bank.

Visit our investor relations website:

→

www.bavarian-nordic.com/investor

Contact our investor relations team:

→

investor@bavarian-nordic.com

Financial calendar 2023

March 2, 2023
Annual report

March 30, 2023
Annual General Meeting

May 9, 2023
Three-month interim report (Q1)

August 23, 2023
Half-year interim report (Q2)

November 16, 2023
Nine-month interim report (Q3)

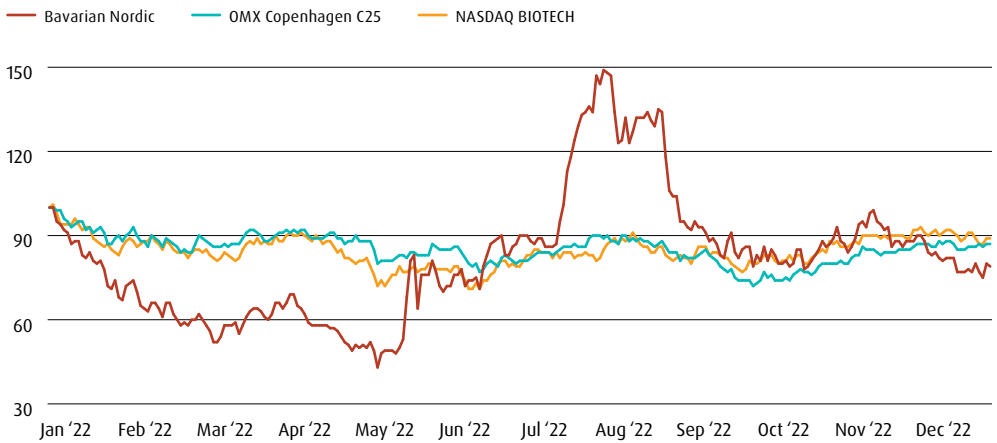
In connection with the publication of financial reports, Management will host a conference call to present the results followed by Q&A for investors and analysts. These events are being webcast live and on-demand through the Company's website.

Additional information about the annual general meeting will become available on our website no later than 3 weeks before the event. Shareholders who have requested so will receive a notification via e-mail.

→

www.bavarian-nordic.com/agm

Share price development compared to indices



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 competencies: 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 and 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 competencies: Scientific knowledge and large drug development experience within neuroscience and oncology. Extensive board and management experience from publicly traded, international pharmaceutical and biotech 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 2030. Member of the executive board of Mijamax ApS.

Special competencies: Extensive board and management experience from publicly traded, international healthcare companies.

Frank Verwiel, MD, MBA
Former president and chief executive officer of Aptalis Pharma, Inc.

Chair of the board of Intellia Therapeutics, Inc.

Special competencies: 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 and Institutional Banking of Danske Bank A/S, and former Chief Commercial Officer at Intrum AB.

Member of the board of FLSmidth & Co. A/S and its subsidiary FLSmidth A/S, Oterra A/S and group companies, Knud Højgaards Fond, Den Danske Unicef Fond, and VL 52 ApS. Chair of the board of Finansiel Stabilitet SOV, Moneyflow Group A/S and its subsidiary Moneyflow 1 A/S. Member of the executive board of EA Advice ApS. Faculty Member at Copenhagen Business School, Board Educations.

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

Linette Munksgaard Andersen
Manager, Customer Service, Shipping and Distribution

Employee-elected.

Thomas Alex Bennekov
Sr. App. and Integration Analyst

Employee-elected.

Anja Gjøl
Scientist.

Employee-elected.

Karen Merete Jensen
QA Specialist.

Employee-elected.

Board

	First elected	Term expires	Independent	Nationality	Year of birth	Shares held in Bavarian Nordic
Gerard van Odijk, chair	2008	2023	No[1]	Dutch	1957	28,433
Anders Gersel Pedersen, deputy chair	2010	2023	No[1]	Danish	1951	16,959
Peter Kürstein	2012	2023	Yes	Danish	1956	19,222
Frank Verwiel	2016	2023	Yes	Dutch	1962	2,972
Anne Louise Eberhard	2019	2023	Yes	Danish	1963	1,371
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 and Anders Gersel Pedersen are 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

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 Anderson1	●●●●●●		●	(C) ●
Anders Gersel Pedersen2	(DC) ●●●●●●●●●	●●●●	●●	(C) ●●●●●●●
Erik G. Hansen3	●	●		●●
Frank Verwiel4	●●●●●●●●●	●	●●●●●●	●●●●●
Anne Louise Eberhard5	●●●●●●●●●	(C) ●●●●●		●●●●●
Karen M. Jensen, employee-elected	●●●●●●●●●			
Anja Gjøl, employee-elected	●●●●●●●●●			
Thomas Bennekov, employee-elected	●●●●●●●●●			
Linette Munksgaard, employee-elected	○●●●●●●●●			

1 Elizabeth McKee Anderson left the Board in August 2022
2 Anders G. Pedersen changed membership from the Nom.Com. Committee to the FRAC Committee in May 2022 and became Chair of the STI Committee in November 2022
3 Erik G. Hansen left the Board in April 2022
4 Frank Verwiel changed membership from the FRAC Committee to the STI Committee in June 2022
5 Anne Louise Eberhard became member of the STI Committee in June 2022

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

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 the Zika virus and Norovirus. Before Takeda she worked at GSK for more than 15 years, holding various leading roles in medical affairs and vaccine development.

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.

Russell Thirsk
Executive Vice President, Chief Operating Officer

Russell Thirsk, MSc is a British national, born in 1968. He joined Bavarian Nordic in April 2022 from GSK Vaccines in Belgium where he served as Head of Operations, a role he assumed after GSK acquired 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 Review

Financial review

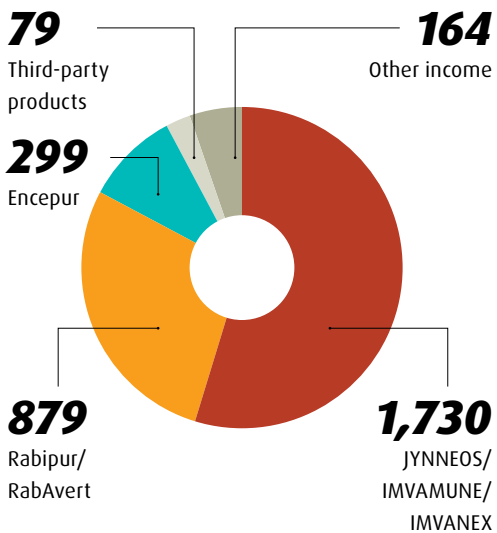
The financial review is based on the Group's consolidated financial information for the year ended December 31, 2022, with comparative 2021 figures for the Group in brackets. There is no significant difference in the development of the Group and the Parent Company (except if noted specifically below).

In 2022, the Company generated revenues of DKK 3,151 million (DKK 1,898 million) compared to the latest guidance of DKK 2,800 - 3,000 million. The improved revenue is largely resulting from the shipment of more mpox vaccines than anticipated in the latest guidance, which reflected some uncertainty related to the timing of deliveries and invoicing towards the end of 2022. Also, a continued strong performance in the rabies business has contributed to the improvement. The income before interest and taxes (EBIT) was a loss of DKK 71 million (loss of DKK 314 million) and EBITDA was an income of DKK 328 million (income of DKK 75 million) compared to the latest guided loss in the interval DKK -200 to 0 million. The higher sale combined with a general cost-conscious approach improved the operating result.

Securities, cash, and cash equivalents as of December 31, 2022, amounted to DKK 2,845 million (DKK 3,717 million). The total amount includes a repo loan position of DKK 1,104 million (DKK 500 million); The net cash and cash equivalent position is hence DKK 1,741 (DKK 3,217 million) compared to a guidance of > DKK 1,700 million. The guidance assumed a bank debt level at year-end of DKK 600 million, however remaining bank debt was repaid during the fourth quarter and no new debt agreements were implemented.

Sales performance

Revenue 2022
DKK million



JYNNEOS/IMVAMUNE/IMVANEX

Historically, JYNNEOS/IMVAMUNE/IMVANEX has been sold to few governments as part of their biological preparedness against smallpox. However, the 2022 global mpox outbreak created a significant, new demand for the vaccine, which is the only FDA- and EC-approved vaccine against mpox.

Revenue from the sale of JYNNEOS/IMVAMUNE/IMVANEX for the full year was DKK 1,730 million (DKK 734 million) and includes revenues from ongoing contracts with the US government as well as new contracts with various other governments and organizations in response to the global monkeypox outbreak, which has driven the growth versus the prior year.

Rabipur/RabAvert

The rabies vaccine market showed strong signs of recovery, particularly in the US, our largest single market for post-exposure prophylaxis, which has been more resilient during COVID-19. The European market, which is a travelers' vaccine market, still lags behind, although significant growth was seen in 2022.

Rabipur/RabAvert revenue amounted to DKK 879 million (DKK 506 million) for the year. The 74% growth in revenue versus the prior year was driven by continued and significant market growth in the US and Germany. The US market grew by 32% versus the prior year and RabAvert now has a market share of approximately 69%, slightly above the level seen prior to competition facing a stockout situation during late 2019 and the first half of 2020. The German market grew by 286%, however the market has not yet fully recovered from the COVID-19 pandemic. Rabipur achieved a market share of 95%, slightly above the 2021 level.

Encepur

The market for tick-borne encephalitis (TBE) vaccines has made a good recovery during 2022, although it remained below the pre-COVID-19 market.

Encepur revenue amounted to DKK 299 million (DKK 363 million) for the year, i.e., a decrease of 18% versus the prior year.

The majority of revenue (~80%) was derived from Germany, where the TBE market saw strong growth in the second half of the year, resulting in an overall growth of 9% in 2022. Encepur sales however declined, due to a temporary stock-out situation during the second half of 2022, also resulting in a minor loss of the 2022 market share, which dropped to 28%.

Third-party products

Revenue from the sale of third-party products was DKK 79 million (DKK 0 million), which is related to the sale of DUKORAL and IXIARO (Valneva products assumed in the first quarter of 2022) and HEPLISAV-B (Dynavax product assumed in the second quarter of 2022).

Other revenue

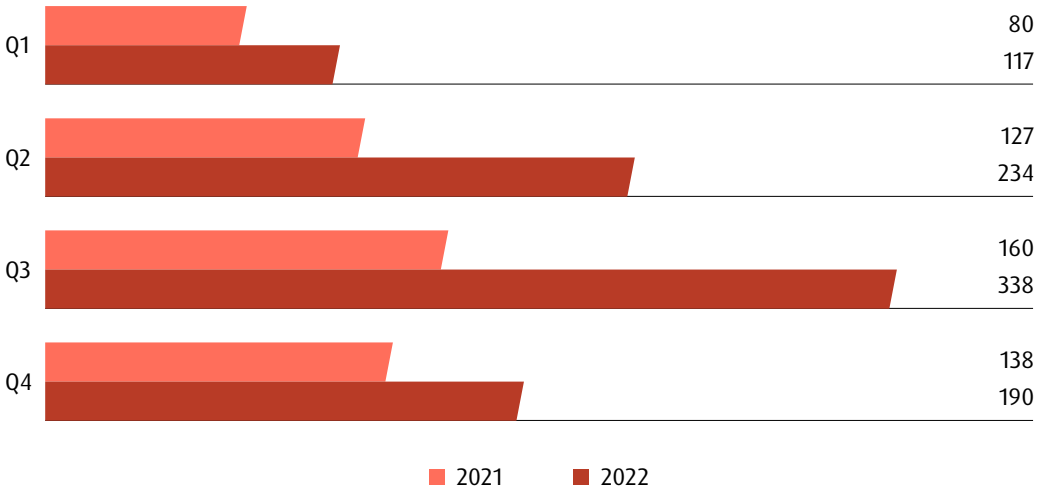
Other revenue totaled DKK 164 million (DKK 295 million) and included an upfront milestone payment of DKK 83 million from our license and supply agreement with Nuance on our RSV vaccine, DKK 51 million from contract work, and DKK 30 million from the sale of bulk drug substance for the Ebola vaccine to Janssen.

Revenues by quarter

mDKK	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	FY 2021	YOY change
JYNNEOS/IMVAMUNE/IMVANEX	-	117	578	1,035	1,730	734	135%
Rabipur/RabAvert	117	234	338	190	879	506	74%
Encepur	69	144	62	24	299	363	-18%
Third-party products	14	38	11	15	79	-	N/A
Other revenue	120	4	15	26	164	295	-44%
Total	**320**	**537**	**1,004**	**1,290**	**3,151**	**1,898**	**66%**

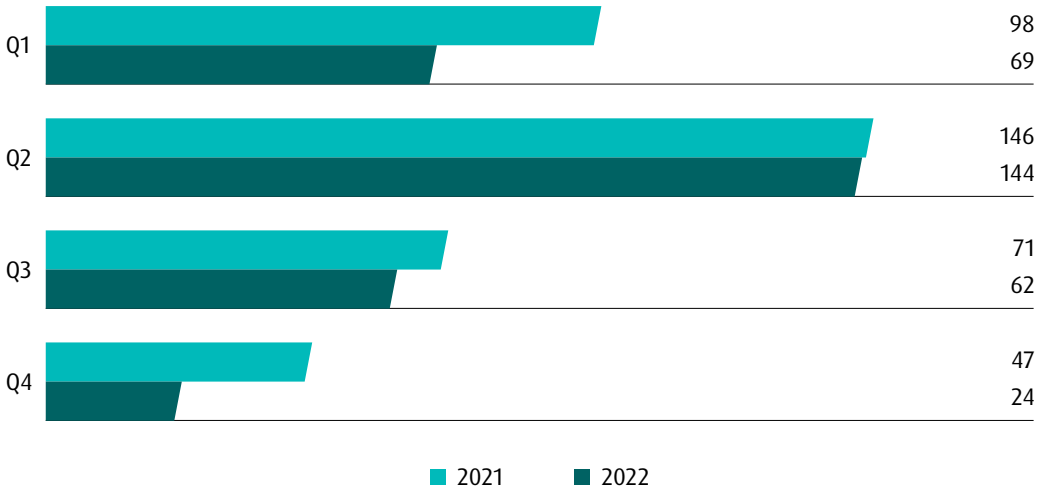
Rabipur/RabAvert sales by quarter

mDKK



Encepur sales by quarter

mDKK



Income statement

Revenue

Revenue for the year was DKK 3,151 million (DKK 1,898 million). The sale of JYNNEOS/IMVAMUNE/IMVANEX mpox/smallpox vaccine amounted to DKK 1,730 million – an increase of DKK 997 million compared to last year, where the majority was related to sale of bulk drug substance batches and liquid-frozen finished products to the U.S. Government (DKK 644 million). Sale of Rabipur/RabAvert increased by DKK 374 million and reached DKK 879 million, whereas sale of Encepur decreased by DKK 64 million and reached 299 million, partly due to a temporary stock-out situation in some markets. Sale of other products amounted to DKK 108 million (DKK 260 million), primarily related to sale of third-party products of DKK 79 million, whereas the sale in 2021 related to sale of Ebola vaccine to Janssen.

Revenue from ongoing contract work amounted to DKK 51 million (DKK 35 million) and included recognition of revenue of HPV milestone payment of DKK 16 million, following Janssen's termination of the development contract.

An upfront milestone payment of DKK 83 million was received under our license and supply agreement with our RSV partner Nuance.

In the Parent Company revenue was DKK 212 million lower than in the Group as sale of RabAvert in the US and Rabipur and Encepur in Switzerland is handled by the subsidiaries. The internal sale from the Parent Company to the subsidiaries is made under a commissionaire transfer pricing setup. The variance in revenue between Group and Parent Company is influenced by phasing of both external and internal sale. In 2021, the revenue in the Parent Company was DKK 40 million higher than the Group revenue due to inventory build-up at subsidiaries.

Production costs

Production costs amounted to DKK 1,450 million (DKK 1,328 million). Costs related directly to revenue amounted to DKK 665 million (DKK 562 million) of which cost of goods sold totaled DKK 645 million (DKK 540 million).

Other production costs totaled DKK 512 million (DKK 493 million) of which net write-downs of inventory amounted to DKK 36 million compared to DKK 172 million in 2021. The bulk manufacturing facility was shut down for a year due to the expansion of the facility for future production of Rabipur/RabAvert and Encepur. The shutdown resulted in a limited absorption of indirect production costs for the first three quarters of 2022. In 2021 other production costs were also impacted by limited absorption of indirect production costs due to the shutdown but also due to production of RSV Phase 3 clinical trial material, which contributed to a low commercial utilization of the manufacturing capacity.

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 213 million (DKK 192 million) split between costs for distribution of products of DKK 37 million (DKK 16 million) and costs for running the commercial organization and activities of DKK 176 million (DKK 176 million). The increase in distribution costs is closely linked to the higher sale of mpox vaccines.

3,151

Revenue mDKK in 2022

1,450

Production costs mDKK in 2022

213

Sales and distribution costs mDKK in 2022

1,203

Research and Development spending mDKK in 2022

328

EBITDA mDKK in 2022

Research and development costs

The total research and development spending were DKK 1,203 million (DKK 421 million). The amount included research and development spend for funded contract costs of DKK 20 million (DKK 22 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 1,183 million (DKK 399 million), see note 6. The increase compared to 2021 was driven by initiation of the RSV Phase 3. Capitalized research and development costs incurred in 2022 related to ABNCoV2 development project amounted to DKK 593 million (DKK 130 million), split between development in progress (note 15) n (DKK 108 million) and commercial scale-up activities at CMO recognized as prepayments (note 21) DKK 303 million (DKK 22 million).

Administrative costs

Administrative costs totaled DKK 376 million (DKK 293 million), an increase of DKK 83 million compared to last year. The companywide increase in number of employees and activity level during 2022 has also resulted in an increased level of administrative costs.

EBIT/EBITDA

Income before interest and tax (EBIT) was a loss of DKK 71 million (loss of DKK 314 million).

EBITDA was an income of DKK 328 million (income of DKK 75 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 126 million (DKK 115 million).

Financial income and financial expenses

Financial income was DKK 79 million (DKK 49 million) and consisted of adjustment of deferred consideration due to change in estimated timing of payments, DKK 54 million (DKK 32 million), interest income on securities of DKK 20 million (DKK 11 million), and a net foreign exchange gain of DKK 5 million (net gain of DKK 4 million). In 2021 the interest on repo transactions amounted to an income of DKK 2 million due to negative interest rates. In 2022 the net interest on repo transactions were DKK 0 million due to increased interest rates during the year.

Financial expenses were DKK 339 million (DKK 189 million) and consisted of unwinding* of the discount related to deferred consideration, DKK 103 million (DKK 134 million), currency adjustments on deferred consideration DKK 11 million (DKK 2 million income), interest expense on debt of DKK 17 million (DKK 18 million), negative fair value adjustments on securities of DKK 190 million (net loss of DKK 39 million) and net loss on derivative financial instruments DKK 18 million (DKK 0 million).

The net value adjustment of deferred consideration was an expense of DKK 60 million (DKK 100 million), consisting of the three components described above.

In the Parent financial statements, the financial income was DKK 113 million (DKK 81 million) and included interests on receivables from subsidiaries of DKK 30 million (DKK 23 million). The financial expenses were DKK 341 million (DKK 190 million).

Income before company tax was a loss of DKK 332 million (loss of DKK 454 million).

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

Tax on income for the year

Tax on the income for the year was an expense of DKK 16 million (DKK 10 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 342 million (net loss of DKK 470 million), and 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 two Phase 3 studies will continue in 2023, 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 4.8% (negative 2.3%). The Company retains the right to use the tax losses carried forward that was written down in prior years.

Net result

The Group reported a net loss for the year of DKK 347 million (net loss of DKK 465 million).

Liquidity and capital resources

As of December 31, 2022, the Company had cash and cash equivalents of DKK 575 million (DKK 592 million), held investments in securities of DKK 2,270 million (DKK 3,125 million) and had a repo loan position of DKK 1,104 million (DKK 500 million). The net securities and cash position amounted to DKK 1,741 million (DKK 3,217 million). The Company also maintained unutilized credit lines of DKK 20 million (DKK 243 million) as of such date.

Cash flows

Cash flow from operating activities totaled a net contribution of DKK 220 million (net spend of DKK 359 million) following the positive EBITDA of DKK 328 million (DKK 75 million). Net change in working capital was negative by DKK 149 million (negative by DKK 469 million) due to a higher level of trade receivables following the higher sale. The increase in inventories is partly offset by higher trade payables as substantial purchases were made from GlaxoSmithKline towards the end of the year to support the production tech transfer activities.

Cash flow spend on investment activities totaled DKK 877 million (DKK 2,877 million) and included DKK 595 million (DKK 372 million) in milestone payments to GlaxoSmithKline and DKK 361 million (DKK 483 million) of investments in property, plant and equipment primarily related to the expansion of the drug substance facility for future production of Rabipur/RabAvert and Encepur. Investment in other intangible assets amounted to DKK 425 million (DKK 203 million) and included the ongoing Rabipur/RabAvert and Encepur technology transfer project, DKK 130 million (DKK 87 million), and capitalized costs related to the ABNCoV2 development asset, DKK 290 million (DKK 108 million). The net investment in securities was a cash contribution of DKK 674 million (net investment spend of DKK 1,779 million).

Cash flow from financing activities was a contribution of DKK 636 million (DKK 3,536 million), split between ABNCoV2 funding from Danish Ministry of Health DKK 400 million (DKK 160 million), increase in repo position DKK 604 million (DKK 500 million) and proceeds from warrant exercise DKK 38 million (DKK 107 million), partly offset by repayment of the European Investment Bank loan of DKK 372 million. During 2021 net proceeds of DKK 2.8 billion was raised through capital increases.

The net cash flow for 2022 was negative by DKK 22 million (positive by DKK 301 million).

575

Cash and cash equivalents mDKK in 2022

22

Cash flow from operating activities mDKK in 2022

Balance sheet

The balance sheet total was DKK 12,391 million as of December 31, 2022 (DKK 12,089 million).

Assets

Intangible assets stood at DKK 5,943 million (DKK 5,804 million) with the main asset being the product rights to Rabipur/RabAvert and Encepur of DKK 4,640 million (DKK 4,913 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 related to the development of ABNCoV2 stood at DKK 1,013 million (DKK 734 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 and capitalization of development costs for running the Phase 2 and Phase 3 study DKK 398 million. For further description of the asset and the accounting policy see note 15.

Property, plant and equipment stood at DKK 1,684 million (DKK 1,413 million). The expansion of the drug substance facility for future production of Rabipur/RabAvert and Encepur was completed end of 2022 and reduced the asset under construction from DKK 579 million to DKK 196 million. For further details regarding the capitalization see note 16.

Inventories stood at DKK 919 million (DKK 480 million), of which the inventory of Rabipur/RabAvert and Encepur products amounted to DKK 578 million (DKK 305 million) as per December 31, 2022. The positive sale development for Rabipur/RabAvert has resulted in a reversal of write-down by DKK 43 million. A write-down of DKK 78 million was recorded during 2022, primarily related to Encepur.

Receivables stood at DKK 720 million (DKK 557 million), of which trade receivables amounted to DKK 523 million (DKK 382 million) and prepayments amounted to DKK 154 million (DKK 109 million). The increase in trade receivables compared to year-end 2021 relates to sale of mpox vaccines.

Scale-up activities to prepare for future production of drug substance for commercial launch of ABNCoV2 is taking place at the contract manufacturing organization (CMO) which also produced the Phase 3 clinical trial material. 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 of December 31, 2022, DKK 193 million (DKK 22 million) has been recognized as non-current prepayments. As part of the scale-up activity future commercial batches have been produced, totaling costs of DKK 132 million. Since the product is not yet approved, these costs have been recognized as current prepayments and will be reclassified to inventory once product approval is obtained.

As of December 31, 2022, cash and securities stood at DKK 2,845 million (DKK 3,717 million).

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 7,150 million (DKK 7,375 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 2,021 million (DKK 2,551 million), a decrease of DKK 530 million compared to December 31, 2021. Two milestones with a total of DKK 595 million were paid to GlaxoSmithKline during 2022. 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 53 million (DKK 100 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, 2022.

Under the terms of the license and collaboration agreement concluded with AdaptVac in July 2020, the Company is committed to payment of potential future development and sales milestones and tiered royalties. Management assesses that the likelihood of future regulatory approval of the ABNVoC2 vaccine is high, hence some of the milestone payments to AdaptVac are expected to become payable. The net present value of the probable milestone payments amounts to DKK 591 million (DKK 596 million) and has been recognized as deferred consideration. 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 5 million (DKK 0 million).

At initial recognition of the deferred consideration a corresponding asset of DKK 596 million was recognized under the ABNCoV2 development project, see description above under 'Assets' and note 24.

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, 2022, the Company has received the upfront payment of DKK 80 million and milestone payments amounting to DKK 480 million. The funding has been recognized as prepayment and loan from Government. Management expects to receive the remaining two milestone payments in beginning of 2023. As per December 31, 2022, amortized costs amount to DKK 6 million (DKK 511 thousand). See further description in note 25.

As of December 31, 2022, debt to credit institutions amounted to DKK 1,123 million (DKK 893 million) and included a repo position of DKK 1,104 million (DKK 500 million) and a mortgage loan of DKK 19 million (DKK 21 million). The European Investment Bank loan of DKK 372 million was repaid in October 2022

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Consolidated income statements

For the years ended December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Revenue	3	3,150,793	1,897,875
Production costs	4,8,9	1,449,531	1,327,560
Gross profit		**1,701,262**	**570,315**
Sales and distribution costs	5,8	212,932	191,783
Research and development costs	6,8,9	1,183,092	399,159
Administrative costs	7,8,9,10	376,023	292,920
Total operating costs		**1,772,047**	**883,862**
Income before interest and tax (EBIT)		**(70,785)**	**(313,547)**
Financial income	11	78,537	50,233
Financial expenses	12	339,363	191,116
Income before company tax		**(331,611)**	**(454,430)**
Tax on income for the year	13	15,771	10,345
Net result for the year		**(347,382)**	**(464,775)**
Earnings per share (EPS) – DKK			
Basic earnings per share of DKK 10	14	(4.9)	(7.4)
Diluted earnings per share of DKK 10	14	(4.9)	(7.4)

Consolidated statements of comprehensive income

For the years ended December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Net result for the year		**(347,382)**	**(464,775)**
Items that may subsequently be reclassified to the income statement:			
Exchange rate adjustments on translating foreign operations		7,002	10,081
Change in fair value of financial instruments entered into to hedge future cash flows		33,245	(542)
Tax on other comprehensive income	13	-	-
Other comprehensive income after tax		**40,247**	**9,539**
Total comprehensive income		**(307,135)**	**(455,236)**

Revenue
DKK million

EBITDA
DKK million

Consolidated statements of cash flow

For the years ended December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Net result for the year		**(347,382)**	**(464,775)**
Adjustment for non-cash items:			
Financial income	11	(78,537)	(50,233)
Financial expenses	12	339,363	191,116
Tax on income for the year		15,771	10,345
Depreciation, amortization and impairment	9	399,247	388,310
Share-based payment	30	49,284	56,857
Changes in inventories		(439,029)	41,039
Changes in receivables		(133,167)	(364,393)
Changes in current liabilities		423,407	(146,007)
Cash flow from operations (operating activities)		**228,957**	**(337,741)**
Received financial income		18,552	6,198
Paid financial expenses		(24,244)	(24,383)
Paid company taxes		(3,212)	(2,574)
Cash flow from operating activities		**220,053**	**(358,500)**

DKK thousand	Note	2022	2021
Investments in product rights	15, 24	(594,920)	(371,849)
Investments in other intangible assets	15	(425,411)	(203,475)
Investments in property, plant and equipment	16	(361,244)	(483,127)
Investments in financial assets		(169,460)	(39,041)
Investments in securities		(414,613)	(2,115,796)
Disposal of securities		1,088,243	336,342
Cash flow from investment activities		**(877,405)**	**(2,876,946)**
Payment on loans	26	(374,339)	(2,173)
Proceeds from loans	26	1,003,661	660,000
Repayment of lease liabilities	27	(21,981)	(19,507)
Proceeds from warrant programs exercised		37,918	107,183
Proceeds from capital increase		-	2,856,596
Costs related to issue of new shares		(111)	(57,438)
Purchase of treasury shares		(9,328)	(8,581)
Cash flow from financing activities		**635,820**	**3,536,080**
Cash flow of the year		**(21,532)**	**300,634**
Cash and cash equivalents as of January 1		591,820	285,487
Currency adjustments		5,119	5,699
Cash and cash equivalents as of December 31		**575,407**	**591,820**

Consolidated statements of financial position – Assets

December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Non-current assets			
Product rights		4,639,895	4,912,830
Acquired rights and development in progress		1,013,484	733,770
Software		14,768	22,985
Intangible assets in progress		274,490	134,371
Intangible assets	15	**5,942,637**	**5,803,956**
Land and buildings		630,138	345,953
Leasehold improvements		24,765	10,011
Plant and machinery		321,745	254,530
Fixtures and fittings, other plant and equipment		511,195	223,467
Assets under construction		196,130	578,707
Property, plant and equipment	16	**1,683,973**	**1,412,668**
Right-of-use assets	17	**67,433**	**75,843**
Other receivables	20	5,086	4,778
Prepayments	21	207,537	38,385
Financial assets		**212,623**	**43,163**
Total non-current assets		**7,906,666**	**7,335,630**

DKK thousand	Note	2022	2021
Current assets			
Inventories	18	**919,072**	**480,043**
Trade receivables	19	523,145	381,624
Other receivables	20	43,263	66,517
Prepayments	21	153,934	108,840
Receivables		**720,342**	**556,981**
Securities	23	2,269,759	3,124,795
Cash and cash equivalents		575,407	591,820
Securities, cash and cash equivalents		**2,845,166**	**3,716,615**
Total current assets		**4,484,580**	**4,753,639**
Total assets		**12,391,246**	**12,089,269**

Consolidated statements of financial position – Equity and liabilities

December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Equity			
Share capital		707,354	704,684
Treasury shares		(1,463)	(1,112)
Retained earnings		6,300,575	6,588,908
Other reserves		143,521	82,187
Equity		**7,149,987**	**7,374,667**
Liabilities			
Deferred consideration	24	2,324,657	2,569,090
Prepayment and loan from Government	25	566,420	160,511
Debt to credit institutions	26	17,008	18,896
Lease liabilities	27	45,834	57,547
Non-current liabilities		**2,953,919**	**2,806,044**
Deferred consideration	24	287,436	577,667
Debt to credit institutions	26	1,105,583	874,373
Lease liabilities	27	24,487	21,266
Prepayment from customers	28	-	16,904
Trade payables		605,928	263,611
Company tax		6,337	3,743
Other liabilities	22	257,569	150,994
Current liabilities		**2,287,340**	**1,908,558**
Total liabilities		**5,241,259**	**4,714,602**
Total equity and liabilities		**12,391,246**	**12,089,269**

Consolidated statements of changes in equity

December 31, 2022

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, 2022	**704,684**	**(1,112)**	**6,588,908**	**(30,559)**	**(1,351)**	**114,097**	**7,374,667**
Comprehensive income for the year							
Net result for the year	-	-	(347,382)	-	-	-	(347,382)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	7,002	-	-	7,002
Change in fair value of financial instruments entered into to hedge future cash flows	-	-	-	-	33,245	-	33,245
Total comprehensive income for the year	**-**	**-**	**(347,382)**	**7,002**	**33,245**	**-**	**(307,135)**
Transactions with owners							
Share-based payment	-	-	-	-	-	53,976	53,976
Warrant programs exercised	2,670	-	46,145	-	-	(10,897)	37,918
Warrant programs expired	-	-	17,898	-	-	(17,898)	-
Capital increase through private placement	-	-	-	-	-	-	-
Costs related to issue of new shares	-	-	(111)	-	-	-	(111)
Purchase of treasury shares	-	(716)	(8,612)	-	-	-	(9,328)
Transfer regarding restricted stock units	-	365	3,729	-	-	(4,094)	-
Total transactions with owners	**2,670**	**(351)**	**59,049**	**-**	**-**	**21,087**	**82,455**
Equity as of December 31, 2022	**707,354**	**(1,463)**	**6,300,575**	**(23,557)**	**31,894**	**135,184**	**7,149,987**

The share capital comprises a total of 70,735,376 shares of DKK 10 as of December 31, 2022 (70,468,393 shares). The shares are not divided into share classes, and each share carries one vote.

Treasury shares

In May 2022, the Board of Directors decided to launch a share buy-back program, under which the Company bought back 71,562 of its own shares (31,747 shares in 2021). 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 2021 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 30.

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 result 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)	(8,263)	-	-	-	(8,580)
Transfer regarding restricted stock units	-	282	4,242	-	-	(4,524)	-
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**

Transactions on the share capital

DKK thousand	2022	2021	2020	2019	2018
Share capital as of January 1	704,684	584,501	323,891	323,106	322,451
Issue of new shares	2,670	120,183	260,610	785	655
Share capital as of December 31	707,354	704,684	584,501	323,891	323,106

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.

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, 2022.

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 2021 are shown in brackets.

Implementation of new and revised standards and interpretations
Management has assessed the impact of new or amended and revised accounting standards and interpretations (IFRSs) issued by the IASB and IFRSs endorsed by the European Union effective on or after January 1, 2022. It is assessed that application of amendments effective from January 1, 2022 has not had a material impact on the consolidated financial statements for 2022. Furthermore, Management does not anticipate any significant impact on future periods from the adoption of these 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.

Note 1

Significant accounting policies *(continued)*

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.

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 15 and 16 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 result 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.

Reporting under the ESEF Regulation
The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) requires the use of a particular electronic reporting format for annual reports of listed companies in the EU. More specifically, the ESEF Regulation requires the annual report to be prepared in XHTML format with iXBRL tagging of the consolidated financial statements including notes.

The Company's iXBRL tagging has been made using the ESEF taxonomy disclosed in the annexes to the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. The 2021 version of the ESEF taxonomy has been used in the annual report for 2022.

The line items in the consolidated financial statements are XBRL-tagged to the elements of the ESEF taxonomy that are considered to match the content of those line items. For line items not considered to be covered by line items defined in the taxonomy, entity-specific extensions to the taxonomy have been incorporated. Except for subtotals, these extensions are anchored to standard elements of the ESEF taxonomy.

Consistently with the requirements of the ESEF Regulation, the annual report approved by Management is comprised of a ZIP file bava-2022-12-31-en.zip, which includes an XHTML file that may be opened using standard web browsers, and a number of technical XBRL files enabling mechanical retrieval of the XBRL data incorporated.

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, %:

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

Earnings per share and diluted earnings per share are calculated in accordance with IAS 33 "Earnings per share" and specified in note 14.

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 future sales and development milestones have become probably; assessment whether development costs should be expensed or capitalized	15
Inventories	Estimate of indirect production costs capitalized and inventory write-down	18

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 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.

Wholesaler charge-backs

Wholesaler charge-backs relate to contractual arrangements between Bavarian Nordic and indirect customers 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.

Note 3

Revenue *(continued)*

Accounting policies *(continued)*

Other 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 licenses that transfer the rights associated with ownership of intellectual property are recognized at a point in time when control is transferred. Revenue from development services and licenses that do not transfer the right of ownership to intellectual property 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.

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.

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.

Note 3

Revenue *(continued)*

DKK thousand	2022	2021
MVA-BN smallpox vaccine sale	1,730,472	733,593
Rabipur/RabAvert	879,341	505,769
Encepur	298,736	363,054
Other product sale	108,496	260,225
Sale of goods	**3,017,045**	**1,862,641**
Milestone payments	83,048	-
Contract work	50,700	35,234
Sale of services	**133,748**	**35,234**
Revenue	**3,150,793**	**1,897,875**
Total revenue includes:		
Fair value adjustment concerning financial instruments entered into to hedge revenue	-	(7,072)
Geographic split of revenue:		
USA	841,527	1,066,800
Germany	650,208	258,288
Belgium	335,399	264,410
France	268,186	26,088
Canada	197,283	10,516
United Kingdom	169,203	16,975
Hong Kong	115,599	-
Saudi Arabia	100,442	-
Australia	97,655	2,504
Switzerland	70,986	24,142
Other geographic markets	304,305	228,152
Revenue	**3,150,793**	**1,897,875**

Other product sale for 2022 consist of the following:

- Sale of Mvabea (Ebola vaccine) to Janssen.
- Sale of Dukoral and Ixiaro licensed from Valneva
- Sale of Heplisav-B licensed from Dynavax

In 2022 revenue achieved on the Danish market amounted to DKK 19.3 million (DKK 0 million).

In 2022 no customer represented more than 10% of total revenue.

In 2021 the following customers represented more than 10% of total revenue:

- Biomedical Advanced Research and Development Authority (BARDA), USA, DKK 675.3 million.
- Janssen Pharmaceutica NV, Belgium, DKK 260.2 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®, at a total value of USD 202 million. The contract expansion covered manufacturing of 35 bulk drug substance (BDS) batches and the supply of up to 1.4 million doses of liquid-frozen JYNNEOS®. At year-end 2022 only 6 BDS batches remain to be manufactured and invoiced.

In June and July 2022, BARDA ordered in total 5,500,000 doses of liquid-frozen JYNNEOS®, for delivery in 2022 and 2023.

When BDS batches are invoiced to BARDA the BDS batches remain in the Company's physical possession until filling as final product. The filling takes place either at the Company's facility in Kvistgaard or at CMO's (a bill-and-hold arrangement). Revenue is recognized once the BDS are releasable according to contract with BARDA.

Payment is due within 30 days after invoicing.

Accounting for license and collaboration agreements with Nuance Pharma
In March 2022, Bavarian Nordic entered into an exclusive license and supply agreement with Nuance Pharma, on the development and commercialization of MVA-BN® RSV against respiratory syncytial virus (RSV) in adults in Chinese Mainland, Hong Kong, Macau, Taiwan, South Korea and certain Southeast Asian countries. The agreement entails clinical development, including a Phase 3 trial to support regulatory approval of MVA-BN® RSV in China, which will be conducted separately from the Company's own Phase 3 trial planned for initiation later in the first half of 2022 to support a U.S. Biologics License Application.

Under the terms of the agreement, Bavarian Nordic has received an upfront payment of USD 12.5 million and is eligible to receive future milestone payments of up to USD 212.5 million that are triggered upon achievement of certain clinical, regulatory, and commercial milestones, in addition to tiered, double-digit royalties on future net sales. The received upfront payment has been recognized as revenue. The future milestone payments will be recognized as revenue once the milestones are achieved.

Nuance Pharma will assume all costs and responsibility for the clinical development, regulatory filings, and commercialization of the vaccine in territories covered by the agreement. Subject to Chinese regulatory authority (National Medical Products Administration, NMPA) approval, Phase 1 and Phase 3 trials are planned for the vaccine approval in China.

Note 4

Production costs

DKK thousand	2022	2021
Cost of goods sold	644,683	539,789
Contract costs	19,889	21,959
Other production costs	512,024	492,877
Amortization of product rights	272,935	272,935
Production costs	**1,449,531**	**1,327,560**

Other production costs amounted to DKK 512.0 million (DKK 492.9 million), of which net write-downs of inventory amounted to DKK 35.5 million compared to DKK 171.6 million in 2021. Development in write-downs is further described in note 18.

The bulk manufacturing facility has been shutdown for a year due to the expansion of the facility for future production of Rabipur/RabAvert and Encepur. The shutdown resulted in a limited absorption of indirect production costs for the first 3 quarters of 2022. In 2021 other production costs were also impacted by limited absorption of indirect production costs due to the shutdown in fourth quarter but also due to production of RSV Phase 3 clinical trial material, which contributed to a low commercial utilization of the manufacturing capacity.

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	2022	2021
Research and development costs incurred this year	1,202,981	421,118
Of which:		
Contract costs recognized as production costs (note 4)	(19,889)	(21,959)
Research and development costs recognized in the income statement	**1,183,092**	**399,159**
Fair value adjustment concerning financial instruments entered into to hedge research and development costs	30,201	-

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 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 15.

Research and development costs include expenses for external clinical research organizations, or CRO's, of DKK 874.9 million (DKK 160.5 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.

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	2022	2021
Wages and salaries	664,791	535,670
Contribution based pension	52,635	44,114
Social security expenses	24,861	21,431
Other staff expenses	48,373	34,510
Share-based payment, see specification in note 30	49,284	57,652
Staff costs	**839,944**	**693,377**
Staff expenses are distributed as follows:		
Production costs	333,547	259,719
Sales and distribution costs	89,304	70,727
Research and development costs	198,838	178,439
Administrative costs	168,259	137,332
Capitalized salaries	49,996	47,160
Staff costs	**839,944**	**693,377**
Average number of employees converted to full-time	874	734
Number of employees as of December 31 converted to full-time	975	759

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

DKK thousand	2022	2021
Staff costs include the following costs:		
Board of Directors:		
Remuneration	5,475	5,202
Share-based payment	1,750	1,950
Remuneration to Board of Directors	**7,225**	**7,152**
Executive Management:		
Salary	9,873	8,661
Paid bonus	2,068	3,956
Other employee benefits	692	678
Contribution based pension	1,367	2,048
Share-based payment	13,485	9,035
Corporate Management	**27,485**	**24,378**
Salary	11,527	11,630
Paid bonus	2,947	2,946
Other employee benefits	1,362	1,237
Contribution based pension	1,472	1,430
Share-based payment	8,756	7,193
Salary and benefits in notice period	7,851	7,378
Other Executive Management	**33,915**	**31,814**
Remuneration to Executive Management	**61,400**	**56,192**
Total Management remuneration	**68,625**	**63,344**

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.

COO Russell Thirsk, CPO Anu Kerns, CCO JC May and CMO Laurence De Moerlooze constitute the Other Executive Management.

Restricted stock units
In March 2022 Corporate Management was granted 12,682 restricted stock units (excl. matching shares) (8,833 restricted stock units) at a value of DKK 2.1 million (DKK 2.0 million) at grant. Other Executive Management was granted 9,896 restricted stock units (excl. matching shares) (7,580 restricted stock units) corresponding to a value of DKK 1.6 million (DKK 1.7 million) at grant. In April 2022 CEO Paul Chaplin was granted 17,109 restricted stock units (excl. matching shares) as a part of the retention agreement at a value of DKK 2.7 million. In April 2022 COO Russell Thirsk was granted 4,446 restricted stock units (excl. matching shares) as a sign-on bonus at a value of DKK 0.7 million.

In April 2022, the members of the Board of Directors were granted in total 11,795 restricted stock units (7,127 restricted stock units) corresponding to 50% of their fixed fee amounting to DKK 1.8 million (DKK 2.0 million). For further description of restricted stock units see note 30.

Warrants
In December 2022 Corporate Management was granted 126,487 warrants (137,030 warrants) with a fair value of DKK 9.9 million (DKK 10.4 million). Other Executive Management was granted 122,300 warrants (108,788 warrants) with a fair value of DKK 9.6 million (DKK 8.3 million).

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

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

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

Note 9

Depreciation, amortization and impairment losses

DKK thousand	2022	2021
Depreciation and amortization included in:		
Production costs	352,554	348,243
Sales and distribution costs	73	34
Research and development costs	6,403	4,718
Administrative costs	40,217	34,697
Depreciation and amortization	**399,247**	**387,692**
Hereof loss from disposed fixed assets	1,175	5,259
Impairment losses included in:		
Production costs	-	618
Impairment losses	**-**	**618**

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 15.

Note 10

Fees to auditor appointed at the annual general meeting

DKK thousand	2022	2021
Audit of financial statements	2,208	2,173
Other assurance services	176	160
Tax advisory	501	720
Other services	143	213
Fees	**3,028**	**3,266**

The fee for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0.3 million (DKK 0.6 million) and consisted of assurance work related to the assistance with compliance reviews, and other accounting and tax advisory services.

Note 11

Financial income

DKK thousand	2022	2021
Financial income from bank and deposit contracts	26	1,739
Interest income from financial assets measured at amortized cost	26	1,739
Financial income from securities	19,543	11,045
Adjustment of deferred consideration due to change in estimated timing of payments	54,390	32,185
Currency adjustment deferred consideration	-	1,677
Net foreign exchange gains	4,578	3,587
Financial income	**78,537**	**50,233**

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 12

Financial expenses

DKK thousand	2022	2021
Interest expenses on debt	16,640	18,487
Interest expenses on financial liabilities measured at amortized cost	16,640	18,487
Fair value adjustments on securities	190,301	39,056
Unwinding of the discount related to deferred consideration	103,049	133,573
Currency adjustment deferred consideration	11,597	-
Net loss on derivative financial instruments at fair value through the income statement	17,776	-
Financial expenses	**339,363**	**191,116**

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 24, negative value adjustments of financial instruments and securities and net currency losses.

Note 13

Tax for the year

DKK thousand	2022	2021
Tax recognized in the income statement		
Current tax on profit for the year	15,738	8,923
Adjustments to current tax for previous years	33	1,422
Current tax	**15,771**	**10,345**
Deferred tax	**-**	**-**
Tax for the year recognized in the income statement	**15,771**	**10,345**
Tax on income for the year is explained as follows:		
Income before company tax	(331,611)	(454,430)
Calculated tax (22.0%) on income before company tax	(72,954)	(99,975)
Tax effect on:		
Different tax percentage in foreign subsidiaries	572	168
Non-recognized deferred tax asset on current year losses in foreign subsidiaries	(1,953)	32,072
Income ()/expenses that are not taxable/deductible for tax purposes	(4,443)	2,249
Special tax credit	(46,946)	(16,898)
Change in unrealized intra-group profits	(25,099)	30,258
Change in non-recognized tax asset	166,561	63,762
Adjustments to previous years non-recognized tax asset	-	(2,713)
Adjustments to current tax for previous years	33	1,422
Tax on income for the year	**15,771**	**10,345**
Tax recognized in other comprehensive income		
Tax on change in fair value of financial instruments entered into to hedge future cash flows		
Tax recognized in equity		
Tax on share based payment		

Tax on income is an expense of DKK 15.8 million (DKK 10.3 million), corresponding to an effective negative tax rate of negative 4.8% (negative 2.3%). The parent company's taxable income for 2022 is zero. Tax expensed in 2022 relates mainly to Bavarian Nordic GmbH and Bavarian Nordic, Inc.

'Income()/expenses that are not taxable/deductible for tax purposes' primarily relates to the 30% step up deduction on research and development costs according to Section 8B of the Danish Tax Assessment Act.

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 13

Tax for the year *(continued)*

	2022				
DKK thousand	**January 1, 2022**	**Adjustment to previous year**	**Recognized in the income statement**	**Recognized in equity**	**December 31, 2022**
Product rights	(10,421)	-	73,302	-	62,881
Acquired rights and development in progress	-	-	(2,659)	-	(2,659)
Property, plant and equipment	60,500	4,184	23,440	-	88,124
Right-of-use assets	370	-	(83)	-	287
Development projects for sale	32,446	-	-	-	32,446
Unrealized intra-group profits	-	(46,364)	25,099	-	(21,265)
Receivables	37	-	154	-	191
Financial instruments	297	-	-	(7,314)	(7,017)
Share-based payment	27,994	-	5,282	(5,871)	27,405
Tax losses carried forward	361,516	66,843	42,026	-	470,385
Not recognized tax asset	(472,739)	(24,663)	(166,561)	13,185	(650,778)
Recognized deferred tax assets	**-**	**-**	**-**	**-**	**-**

	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	**-**	**-**	**-**	**-**

Deferred tax

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

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

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

The tax value of non-recognized tax losses carried forward in Bavarian Nordic A/S and the two Danish subsidiaries amounts to DKK 470.4 million (DKK 361.5 million), whereas the tax value of non-recognized temporary deductible differences amounts to DKK 180.4 million (DKK 111.2 million). Tax rate used for Danish entities is 22%.

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

Change in non-recognized deferred tax asset 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 25.1 million (DKK 30.3 million).

Note 14

Earnings per share (EPS)

DKK thousand	2022	2021
Net result for the year	(347,382)	(464,775)
Earnings per share of DKK 10	(4.9)	(7.4)
Diluted earnings per share of DKK 10	(4.9)	(7.4)
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)	70,548	63,213
Weighted average number of treasury shares (thousand units)	(129)	(109)
Weighted average number of outstanding ordinary shares used in the calculation of basic earnings per share (thousand units)	**70,419**	**63,104**
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)	**70,419**	**63,104**
Outstanding warrants that may have an effect on the calculation of diluted earnings per share in the future.		
2022-programs	1,013,923	-
2021-program	655,774	706,469
2020-programs	1,142,109	1,207,003
2019-program	599,493	625,984
2018-program	240,708	515,684
2017-programs	-	223,683
2016-program	-	77,661
Outstanding warrants, cf. note 30	**3,652,007**	**3,356,484**

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 15

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

Product rights
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 GlaxoSmithKline to assess the value creation expected from the acquisition. The latest update of the valuation model shows a value above the net present value of the purchase price, hence there is no indications of impairment.

As per December 31, 2022 Management still judge that the sales milestone of EUR 25 million included in Asset Purchase Agreement is not probable 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:

Acquired rights and development in progress
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 and 3 studies as – unlike most other development candidates - the feasibility of developing a final vaccine and obtain regulatory approval is considered highly likely. The Phase 1 and Phase 2 clinical trial showed positive results in 2021-22, further supported by positive six-month follow-up analysis for the Phase 2 clinical trial in October 2022. The follow-up analysis demonstrated that six months post the booster vaccination with ABNCoV2, the neutralization antibody titers against Wuhan and the Omicron variant remained high and at levels associated with a greater than 90% efficacy. The Group initiated the global Phase 3 clinical trial in September 2022 and initial results are expected to be ready in mid-2023.

In 2021 the Group ensured significant finance of the development through the funding obtained from the Danish Ministry of Health and a minimum demand agreed in the agreement with the Danish Ministry of Health.

In the winter of 2022/2023, we have seen a high number of COVID-19 infections. 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.

Note 15

Intangible assets *(continued)*

	2022				
DKK thousand	**Product rights**	**Acquired rights and development in progress**	**Software**	**Other intangible assets in progress**	**Total**
Costs as of January 1, 2022	5,458,700	733,770	100,385	134,371	6,427,226
Additions	-	279,714	3,006	142,691	425,411
Transfer	-	-	2,572	(2,572)	-
Exchange rate adjustments	-	-	131	-	131
Cost as of December 31, 2022	**5,458,700**	**1,013,484**	**106,094**	**274,490**	**6,852,768**
Amortization as of January 1, 2022	545,870	-	77,400	-	623,270
Amortization	272,935	-	13,908	-	286,843
Exchange rate adjustments	-	-	18	-	18
Amortization as of December 31, 2022	**818,805**	**-**	**91,326**	**-**	**910,131**
Carrying amount as of December 31, 2022	**4,639,895**	**1,013,484**	**14,768**	**274,490**	**5,942,637**
Geographical split of intangible assets – 2022					
Denmark					5,941,664
USA					973
Total intangible assets					**5,942,637**

Product rights

December 31, 2019 the Company acquired the product rights to two commercial products owned by GlaxoSmithKline - 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.

Note 15

Intangible assets *(continued)*

Deferred consideration for the acquired product rights are described in note 24.

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. At commencement of the positive 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. Based on the positive clinical results during 2021 Management assessed at year-end 2021 that the likelihood of future regulatory approval of the Company's COVID-19 vaccine was high, hence milestone payments to AdaptVac were 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 were assumed probable. At initial recognition in December 2021 the net present value of the probable milestone payments was calculated amounting to DKK 596 million, and was recognized as part of the "Acquired rights and development in progress". A corresponding liability was been recognized as deferred consideration (note 24).

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, 2022 the capitalized costs amounts to DKK 255.3 million (DKK 125.2 million), recognized as intangible assets in progress.

As part of the development plan for ABNCoV2 the filling process at Kvistgaard need to be scaled up to handle production for commercial launch. Cost related to the scale up activities are recognized as part of intangible assets in progress with an amount of DKK 14.2 million (DKK 3.6 million).

Note 15

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**

Other intable assets in progress relates to IT investments.

Other intangible assets in progress include investments in software.

Note 16

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 16

Property, plant and equipment *(continued)*

	2022					
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, 2022	546,771	22,288	424,291	312,179	578,707	1,884,236
Additions	73,768	6,147	26,023	146,421	108,885	361,244
Transfer	238,004	11,802	73,919	167,745	(491,470)	-
Disposals	-	-	(9,864)	(428)	-	(10,292)
Exchange rate adjustments	-	-	-	119	8	127
Cost as of December 31, 2022	**858,543**	**40,237**	**514,369**	**626,036**	**196,130**	**2,235,315**
Depreciation and impairment losses as of January 1, 2022	200,818	12,277	169,761	88,712	-	471,568
Depreciation	27,587	3,196	31,061	26,360	-	88,204
Disposals	-	-	(8,198)	(301)	-	(8,499)
Exchange rate adjustments	-	(1)	-	70	-	69
Depreciation and impairment losses as of December 31, 2022	**228,405**	**15,472**	**192,624**	**114,841**	**-**	**551,342**
Carrying amount as of December 31, 2022	**630,138**	**24,765**	**321,745**	**511,195**	**196,130**	**1,683,973**
Geographical split of property, plant and equipment – 2022						
Denmark						1,626,673
Germany						56,564
USA						463
Switzerland						273
Total property, plant and equipment						**1,683,973**

The expansion of the drug substance facility for future production of Rabipur/RabAvert and Encepur completed end of 2022.

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 18.9 million are secured by mortgages totaling DKK 50.0 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2022, 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 951.8 million (land and buildings: DKK 630.1 million; plant and machinery: DKK 321.7 million).

Note 16

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.

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

Right-of-use-assets

	2022			
DKK thousand	**Rent facility**	**Car leasing**	**Equipment**	**Total**
Right-of-use assets as of January 1, 2022	73,026	1,742	1,075	75,843
Additions	917	8,671	-	9,588
Modifications	5,326	986	-	6,312
Disposals	(2,412)	-	-	(2,412)
Depreciations	(19,475)	(3,050)	(500)	(23,025)
Reversal depreciations	909	-	-	909
Exchange rate adjustments	176	43	(1)	218
Right-of-use assets as of December 31, 2022	**58,467**	**8,392**	**574**	**67,433**

	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**

DKK thousand	**2022**	**2021**
Amounts included in the income statement		
Interest expense leases	1,888	1,976
Depreciation recognized on right-of-use assets	23,025	20,026
Cost recognized for short term leases (less than 12 months)	267	427

Accounting policies

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

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

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

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. IAS 36 is applied to determine whether a right-of-use asset is impaired and any identified impairment losses are accounted for as described in note 15.

Note 18

Inventories

DKK thousand	2022	2021
Raw materials and supply materials	206,211	80,243
Work in progress	641,183	79,904
Manufactured goods and commodities	234,097	492,837
Write-down on inventory	(162,419)	(172,941)
Inventories	**919,072**	**480,043**
Write-down on inventory as of January 1	(172,941)	(63,537)
Write-down for the year	(78,101)	(171,643)
Use of write-down	46,031	62,239
Reversal of write-down	42,592	-
Write-down on inventory as of December 31	**(162,419)**	**(172,941)**
Cost of goods sold amounts to, cf. note 4	644,683	539,789

The inventory of Encepur and Rabipur/RabAvert products amounted to DKK 577.9 million (DKK 305.4 million) as per December 31, 2022 incl. write-down.

Write-down for the year amounted to DKK 78.1 million and mainly relates to Encepur products which have been challenged with delays at CMO's. The delays led to issues with seasonality and too low shelf life.

Use of write-down in 2022 of DKK 46 million relates to scrap of old Encepur batches fully written down last year.

Reversal of write-down of DKK 42.6 million mainly relates to Rabipur/RabAvert products since actual sales exceeded expected sales for the year.

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 19

Trade receivables

DKK thousand	2022	2021
Trade receivables from smallpox vaccine sale	329,897	78,218
Trade receivables from Encepur and Rabipur/RabAvert	167,332	162,546
Trade receivables from other product sale	-	137,731
Trade receivables from contract work	25,916	3,129
Trade receivables	**523,145**	**381,624**

	2022		
DKK thousand	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables			
Not past due date	484,110	-	484,110
Overdue by 0-3 months	39,435	(823)	38,612
Overdue by 3-6 months	470	(47)	423
Trade receivables	**524,015**	**(870)**	**523,145**

	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 0-3 months	271	(27)	244
Trade receivables	**381,790**	**(166)**	**381,624**

Credit risk

Bavarian Nordic's customers are predominantly public authorities and renowned wholesalers and therefore the credit risk is very low. There are overdue receivables as of December 31, 2022 DKK 40 million (DKK 7 million). As of December 31, 2022 a loss allowance of DKK 870 thousand (DKK 166 thousand) has been recognized.

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 20

Other receivables

DKK thousand	2022	2021
Deposits	5,086	4,778
Receivable VAT and duties	-	55,973
Derivative financial instruments at fair value	31,894	191
Interest receivables	11,369	10,353
Other receivables	**48,349**	**71,295**
Classified as:		
Non-current assets	5,086	4,778
Current assets	43,263	66,517
Other receivables	**48,349**	**71,295**

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 21

Prepayments

DKK thousand	2022	2021
Prepayments to CMO's	351,322	135,750
Other prepayments	10,149	11,475
Prepayments	**361,471**	**147,225**
Classified as:		
Non-current assets	207,537	38,385
Current assets	153,934	108,840
Prepayments	**361,471**	**147,225**

Scale-up activities to prepare for future production of drug substance for commercial launch of ABNCoV2 is taking place at the CMO who also produced the Phase 3 clincial trial materials. 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, 2022 DKK 192.6 million (DKK 21.8 million) has been recognized as non-current prepayments.

As part of the scale-up activity future commercial batches have been produced. Since the ABNCoV2 product is not yet approved the costs for this production, DKK 131.7 million, have been recognized as current prepayments. Will be reclassified to inventory once product approval is obtained.

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 when costs incur and then recognized as inventory in concurrence with purchase of production services from the CMO's. As per December 31, 2022 DKK 14.9 million (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 22

Other liabilities

DKK thousand	2022	2021
Financial instruments at fair value	8,302	1,351
Liability relating to phantom shares	11,102	23,917
Payable salaries, holiday accrual etc.	107,952	68,491
Gross to net deduction accrual	97,679	37,134
Other accrued costs	22,319	20,101
Payable VAT and duties	10,215	-
Other liabilities	**257,569**	**150,994**

For a further description of financial instruments see note 23. The phantom share programs are described in note 30.

Accounting policies

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

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

Note 23

Financial risks and financial instruments

DKK thousand	2022	2021
Categories of financial instruments		
Trade receivables	523,145	381,624
Other receivables	16,455	71,104
Cash and cash equivalents	575,407	591,820
Financial assets measured at amortized cost	**1,115,007**	**1,044,548**
Securities	1,184,843	2,626,261
Transferred securities that are not derecognized	1,084,916	498,534
Derivative financial instruments at fair value through the income statement (repo transactions)	-	191
Financial assets measured at fair value through the income statement	**2,269,759**	**3,124,986**
Derivative financial instruments to hedge future cash flows (exchange rate)	30,025	-
Derivative financial instruments to hedge future cash flows (interest)	1,869	-
Financial assets used as hedging instruments	**31,894**	**-**
Deferred consideration	2,612,093	3,146,757
Debt to credit institutions	18,930	393,269
Security lending (repo transactions)	1,103,661	500,000
Prepayment and loan from Government	566,420	160,511
Lease liabilities	70,321	78,813
Trade payables	605,928	263,611
Other liabilities	238,165	125,726
Financial liabilities measured at amortized cost	**5,215,518**	**4,668,687**
Derivative financial instruments at fair value through the income statement (repo transactions)	8,302	-
Liability relating to phantom shares	11,102	23,917
Financial liabilities measured at fair value through the income statement	**19,404**	**23,917**
Derivative financial instruments to hedge future cash flows (exchange rate)	-	646
Derivative financial instruments to hedge future cash flows (interest)	-	705
Financial liabilities used as hedging instruments	**-**	**1,351**

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.

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.

Note 23

Financial risks and financial instruments (continued)

Accounting policies *(continued)*

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 net result and equity.

Exchange rate risks on recognized financial assets and liabilities

DKK thousand	Cash and cash equivalents, securities	Receivables	Liabilities	Net position
2022				
EUR	294,207	355,193	(3,156,284)	(2,506,884)
USD	237,026	148,254	(156,497)	228,783
CHF	2,175	2,692	(39,532)	(34,665)
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)

Sensitivity analysis on exchange rates

DKK thousand	Likely change in exchange rate	Hypothetical change in equity	Hypothetical change in net result
2022			
Change if higher USD-rate than actual rate	15%	75,638	56,962
Change if higher EUR-rate than actual rate	1%	(22,207)	(23,911)
Change if higher CHF-rate than actual rate	5%	(583)	(1,004)
2021			
Change if higher USD-rate than actual rate	15%	34,724	21,921
Change if higher EUR-rate than actual rate	1%	(28,638)	(30,165)
Change if higher CHF-rate than actual rate	5%	140	(235)

Note 23

Financial risks and financial instruments (continued)

Accounting policies *(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, 2022 or as per December 31, 2021 not designated as hedge accounting.

Hedging of expected future cash flows
The Company has concluded currency forward contracts of USD 75 million to hedge net cash position during 2023.

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
2022				
Forward currency contracts (USD/DKK)	7.19 - 7.29	543,454	30,025	30,671
			30,025	**30,671**
2021				
Forward currency contracts (USD/DKK)		7,538	(646)	(646)
			(646)	**(646)**

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
2022			
Interest rate swap			
DKK – fixed rate 0.9625% p.a. (expiry 2031)	19,192	1,869	2,574
		1,869	**2,574**
2021			
Interest rate swap			
DKK – fixed rate 0.9625% p.a. (expiry 2031)	21,332	(705)	709
		(705)	**709**

Cash risks
The Group´s bank deposits are placed in deposit accounts without restrictions. The Group's cash and cash equivalents totaled DKK 575.4 million as of December 31, 2022 (DKK 591.8 million).

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

Note 23

Financial risks and financial instruments *(continued)*

	2022		2021	
DKK thousand	**Fair value as of December 31**	**Effective interest**	**Fair value as of December 31**	**Effective interest**
Bond portfolio				
Within 0-2 years	1,226,652	3.4%	1,201,688	-0.5%
Within 3-5 years	492,898	3.5%	1,118,304	-0.1%
After 5 years	550,208	3.7%	804,803	1.0%
Total	**2,269,758**	**3.5%**	**3,124,795**	**0.0%**

Fluctuations in interest rate levels affect the Group's bond portfolio. An change in the interest rate level by 1 percentage point relative to the interest rate level on the balance sheet date would have had an impact of DKK 73.3 million on the Group´s net result and equity (DKK 46.9 million).

Note 23

Financial risks and financial instruments (continued)

Maturity of financial liabilities (including interest)

	2022			
DKK thousand	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Deferred consideration [1]	297,460	2,506,101	-	2,803,561
Credit institutions	1,103,003	10,355	9,423	1,122,781
Prepayment and loan from Government [2]	-	519,932	70,503	590,435
Lease liabilities	24,487	45,834	-	70,321
Trade payables	605,928	-	-	605,928
Other liabilities	265,775	-	-	265,775
Non-derivative financial liabilities	**2,296,653**	**3,082,222**	**79,926**	**5,458,801**

	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**

1) Further explained in note 24. 2) Further explained in note 25.

With respect to the Group´s debt to credit institutions, a change in the applicable interest rate by 1 percentage point would have had an impact on the Group's net result and equity of DKK 0.2 million (DKK 4.0 million).

The European Investment Bank loan obtained in 2017 was fully repaid in October 2022 (DKK 372.2 million).

During 2022 the Company entered into further repo loan contracts (security lending) and increased the position to DKK 1,104 million (DKK 500 million). Further described below.

Debt to credit institutions also include a mortgage loan of DKK 18.9 million (DKK 21.1 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, 2022, DKK 0.2 million (DKK 0.2 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 authorities and renowned pharmaceutical companies and wholesalers, and the credit risk on the Group's receivables is therefore considered to be very low. A loss allowance of DKK 870 thousand (DKK 166 thousand) has been recognized as of December 31, 2022, cf. note 19.

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.

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 2022 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

Note 23

Financial risks and financial instruments (continued)

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	2022	2021
Carrying amount of transferred securities	1,084,916	498,534
Carrying amount of associated liabilities (security lending)	(1,103,661)	(500,000)
Net position	**(18,745)**	**(1,466)**

Fair value hierarchy for financial instruments measured at fair value

	2022		
DKK thousand	**Level 1**	**Level 2**	**Total**
Securities	2,269,759	-	2,269,759
Financial assets measured at fair value through the income statement	**2,269,759**	**-**	**2,269,759**
Derivative financial instruments to hedge future cash flow (currency)	-	30,025	30,025
Derivative financial instruments to hedge future cash flow (interest)	-	1,869	1,869
Financial assets/liabilities used as hedging instruments	**-**	**31,894**	**31,894**
Derivative financial instruments at fair value (repo transactions)	-	(8,302)	(8,302)
Liability relating to phantom shares	-	(11,102)	(11,102)
Financial liabilities measured at fair value through the income statement	**-**	**(19,404)**	**(19,404)**

	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)**

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 24

Deferred consideration

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2022				
Deferred consideration, product rights	-	2,020,638	-	2,020,638
Deferred consideration, license agreement	287,436	304,019	-	591,455
Total	**287,436**	**2,324,657**	**-**	**2,612,093**
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**

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 2022 two milestone payments of a total of EUR 80 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 2024. 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, 2022 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 15) 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, 2022 amounts to DKK 1,937 million (DKK 2,564 million), measured using the updated discount rate of 6.7% (3.7%). 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.
In December 2021, the Company announced positive topline results from the Phase 2 clinical trial. These results was confirmed by the six-month follow-up analysis in October 2022, showing that the strong booster responses are maintained after six months post vaccination at levels associated with a high degree of efficacy. In September 2022, the Company initiated the Phase 3 clinical trial. The read-out are expected in beginning of 2023. 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 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.

The fair value of the deferred consideration as per December 31, 2022 amounts to DKK 553 million (DKK 596 million), measured using the updated discount rate of 6.7% (3.7%). The discount rate has been determined based on the same components as described above.

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, 2022.

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 and the impact is recognized as a financial item.

Note 25

Prepayment and loan from Government

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2022				
Prepayment and loan from Government	-	566,420	-	566,420
Total	**-**	**566,420**	**-**	**566,420**
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 Phase 3 development milestones and milestones related to upscaling of manufacturing for commercial production of the vaccine. As per December 31, 2022 the Company has received the upfront payment of DKK 80 million and milestone payments amounting to DKK 480 million.

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 comming year will be repaid in either supply of vaccines or royalty payments.

Note 26

Debt to credit institutions

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2022				
Mortgage [1]	1,922	8,283	8,725	18,930
Security lending (repo transactions)	1,103,661	-	-	1,103,661
Total	**1,105,583**	**8,283**	**8,725**	**1,122,591**
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**

1) Floating interest – swapped to fixed interest of 0.9625% – expiry 2031
2) Fixed interest of 3.532% - bullet loan repaid in October 2022

The fair value of the debt to credit institutions amounts to DKK 1,122.6 million (DKK 893.5 million). The fair value of mortgage debt is based on the market value of the underlying bonds set by the bank (level 2), whereas the fair value of the 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 tables below detail changes in the Group's liabilities arising from financing activities, both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

Cash flow from financing activities

DKK thousand	January 1, 2022	Cash movement	Non-cash movement	December 31, 2022
2022				
Mortgage	21,074	(2,144)	-	18,930
European Investment Bank (loan in DKK)	372,195	(372,195)	-	-
Security lending (repo transactions)	500,000	603,661	-	1,103,661
Prepayment and loan from Government	160,511	400,000	5,909	566,420
Lease liabilities	78,813	(21,981)	13,489	70,321
Total liabilities from financing activities	**1,132,593**	**607,341**	**19,398**	**1,759,332**

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**

Accounting policies

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

Note 27

Lease liabilities

DKK thousand	2022	2021
Non-current	45,834	57,547
Current	24,487	21,266
Lease liabilities	**70,321**	**78,813**

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2022				
Lease liabilities	24,487	45,834	-	70,321
Total	**24,487**	**45,834**	**-**	**70,321**
2021				
Lease liabilities	21,266	57,547	-	78,813
Total	**21,266**	**57,547**	**-**	**78,813**

Accounting policies

The lease liability is initially measured at the present value of the future lease payments (see further in note 17), discounted by using an incremental country specific borrowing rate ranging from 2.5% to 3.0% applying only a single discount rate for a portfolio of lease assets with reasonable similar characteristics.

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

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

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

Note 28

Prepayment from customers

DKK thousand	2022	2021
Prepayment from customers as of January 1	16,904	74,347
Prepayments received during the year	-	33,850
Recognized as revenue during the year	(16,904)	(91,293)
Prepayment from customers as of December 31	**-**	**16,904**

The HPV license and collaboration agreement with Janssen regarding production of Master Seed Virus has been terminated and therefore the upfront payment of DKK 16.9 million (USD 2.5 million) has been recognized as revenue in 2022.

The recognition of revenue is described in note 3.

Accounting policies

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

Note 29

Related party transactions

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

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

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

Note 30

Share-based payment

Accounting policies

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

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

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

Restricted stock units are measured at fair value at grant date. Based on the achieved cash bonus for members of the Executive Management, subject to the Board of Directors' decision on the portion that should be converted to restricted stock units, the number of restricted stock units are calculated by dividing the allocated cash bonus amount by the share price of the Company at grant date. As the cash bonus has already been accrued and expensed in the income statement, the grant of restricted stock units has no additional impact on the income statement. The accrued liability for the converted cash bonus is reclassified to equity. Matching shares are measured at the same fair value as the initial restricted stock units and expensed over the three year vesting period. The balancing item is recognized directly in equity. Restricted stock units granted as sign-on bonus for members of the Executive Management and restricted stock units granted to the Board of Directors are expensed at grant date with the balancing item recognized directly in equity.

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

Furthermore, the Company has established three-year phantom share programs for all employees of the Group except for Executive Management and other employees receiving warrants.

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

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

Note 30

Share-based payment *(continued)*

Warrant overview – 2022	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	77,661	-	-	-	(77,661)	-	-	206
July 2017	34,074	-	-	-	(34,074)	-	-	340
November 2017	189,609	-	(60)	(1,526)	(188,023)	-	-	240
November 2018	515,684	-	(266,923)	(8,053)	-	240,708	240,708	142
November 2019	625,984	-	-	(26,491)	-	599,493	-	147
January 2020	30,039	-	-	-	-	30,039	-	156
November 2020	1,176,964	-	-	(64,894)	-	1,112,070	-	207
November 2021	706,469	-	-	(50,695)	-	655,774	-	353
April 2022	-	81,872	-	-	-	81,872	-	190
December 2022	-	932,051	-	-	-	932,051	-	225/271
Total	**3,356,484**	**1,013,923**	**(266,983)**	**(151,659)**	**(299,758)**	**3,652,007**	**240,708**	

Warrant overview – 2022	Outstanding as of January 1	Additions	Exercised	Annulled	Terminated	Transferred	Outstanding as of December 31
Corporate Management	743,346	126,487	-	-	(143,901)	-	725,932
Other Executive Management	418,163	185,457	-	-	-	(174,070)	429,550
Other employees	1,880,363	701,979	(145,833)	(151,659)	(65,579)	(237,144)	1,982,127
Resigned employees	314,612	-	(121,150)	-	(90,278)	411,214	514,398
Total	**3,356,484**	**1,013,923**	**(266,983)**	**(151,659)**	**(299,758)**	**-**	**3,652,007**
Weighted average exercise price (DKK)	**219**	**253**	**142**	**242**	**242**	**-**	**231**
Weighted average share price at exercise (DKK)			**247**				
Number of warrants which can be exercised as of December 31, 2022							240,708
at a weighted average exercise price of DKK							142

Recognized costs in 2022 DKK 42.9 million compared to DKK 31.3 million in 2021.

Note 30

Share-based payment *(continued)*

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**	**-**	**219**
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

Specification of parameters for Black-Scholes model	**Nov. 2018**	**Nov. 2019**	**Jan. 2020**	**Nov. 2020**	**Nov. 2021**	**Apr. 2022**	**Dec. 2022** [3]
Average share price	159.00	154.05	171.20	179.84	307.20	171.35	224.70
Average exercise price at grant	179.60	185.40	197.00	206.82	353.06	190.11	270.91
Average exercise price at grant - Executive Management							224.70
Average exercise price determined at date of rights issue March 30, 2020	142.00	146.60	155.80				
Applied volatility rate [2]	53.3%	52.2%	53.0%	39.8%	41.8%	42.3%	41.8%
Expected life (years)	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Expected dividend per share	-	-	-	-	-	-	-
Risk-free interest rate p.a.	-0.43%	-0.69%	-0.65%	-0.66%	-0.53%	0.39%	2.04%
Fair value per share at grant [1]	52	45	53	41	76	47	64
Fair value per share at grant - Executive Management [1]							78

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

2) The applied volatility is based on the historical volatility of the Bavarian Nordic share, except for programs issued since November 2020 where the volatility is based on the volatility for a peer group.

3) The December 2022 program has two set of exercise conditions. Executive Management can subscribe future shares at a exercise price of DKK 224.70 per share equivalent to the market price of Bavarian Nordic's shares at the time of grant. Vesting of the warrants is subject to prior fulfilment of KPI's as determined by the Board of Directors. Other employees can subscribe future shares at a exercise price of DKK 270.91 per share, determined as the average market price (closing price) of the Company's shares on Nasdaq Copenhagen over a period of 15 business days prior to grant plus 15%.

Note 30

Share-based payment *(continued)*

Exercise periods	**Can be exercised wholly or partly in a period of 14 days commencing from the day of publication of:**			
December 2022	Annual Report 2025 Annual Report 2026	Interim Report Q1 2026 Interim Report Q1 2027	Interim Report Q2 2026 Interim Report Q2 2027	Interim Report Q3 2026 Interim Report Q3 2027
April 2022	Interim Report Q2 2025 Interim Report Q2 2026	Interim Report Q3 2025 Interim Report Q3 2026	Annual Report 2025 Annual Report 2026	Interim Report Q1 2026 Interim Report Q1 2027
November 2021	Annual Report 2024 Annual Report 2025	Interim Report Q1 2025 Interim Report Q1 2026	Interim Report Q2 2025 Interim Report Q2 2026	Interim Report Q3 2025 Interim Report Q3 2026
November 2020	Annual Report 2023 Annual Report 2024	Interim Report Q1 2024 Interim Report Q1 2025	Interim Report Q2 2024 Interim Report Q2 2025	Interim Report Q3 2024 Interim Report Q3 2025
January 2020	Annual Report 2022 Annual Report 2023	Interim Report Q1 2023 Interim Report Q1 2024	Interim Report Q2 2023 Interim Report Q2 2024	Interim Report Q3 2023 Interim Report Q3 2024
November 2019	Annual Report 2022 Annual Report 2023	Interim Report Q1 2023 Interim Report Q1 2024	Interim Report Q2 2023 Interim Report Q2 2024	Interim Report Q3 2023 Interim Report Q3 2024
November 2018	Annual Report 2021 Annual Report 2022	Interim Report Q1 2022 Interim Report Q1 2023	Interim Report Q2 2022 Interim Report Q2 2023	Interim Report Q3 2022 Interim Report Q3 2023

Note 30

Share-based payment *(continued)*

Phantom shares

In 2018, the Company established a three-year phantom share program for all employees of the Group except for management and other employees receiving warrants. The employees receive up to four phantom shares per month free of charge during the period from January 1, 2019 to December 31, 2021. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares. Following the rights issues in March 2020 the monthly grant increased to five phantom shares for the remaining grant period and the maximum increased to 183 phantom shares. The program exercised 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.
The program will exercise in January 2023.

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

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

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

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

Note 30

Share-based payment *(continued)*

2021-2023 phantom share program

DKK thousand	2022	2021
Outstanding as of January 1	37,996	-
Granted during the year	41,136	37,996
Outstanding phantom shares as of December 31	**79,132**	**37,996**
Liability in DKK thousand as of December 31	**3,732**	**3,589**
Specification of parameters for Black-Scholes model		
Share price December 31	213	269
Average share exercise price	203	203
Expected volatility rate	47%	42%
Expected life (years)	1.0	2.0
Expected dividend per share	-	-
Risk-free interest rate p.a.	3.46%	0.11%

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

Phantom shares granted in 2022 provided an expense of DKK 1.9 million, whereas the revaluation of previously granted phantom shares provided an income of DKK 1.8 million, total net expense of DKK 0.1 million (net expense 2021: DKK 3.6 million).

The liability is included in other liabilities, cf. note 22.

2020-2022 phantom share program

DKK thousand	2022	2021	2020
Outstanding as of January 1	68,873	30,921	-
Granted during the year	41,627	37,952	29,554
Adjustment following rights issue March 2020	-	-	1,367
Outstanding phantom shares as of December 31	**110,500**	**68,873**	**30,921**
Liability in DKK thousand as of December 31	**7,370**	**8,604**	**1,864**
Specification of parameters for Black-Scholes model			
Share price December 31	213	269	187
Average share exercise price	147	147	147
Expected volatility rate	47%	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.

The 2020-2022 program will exercise in January 2023 if the average share price for the period January 2 - January 13, 2023 will exceed the exercise price of DKK 146.70. Otherwise the program will expire without exercise.

Phantom shares granted in 2022 provided an expense of DKK 2.8 million, whereas the revaluation of previously granted phantom shares provided an income of DKK 4.0 million, total net income of DKK 1.2 million (net expense 2021: DKK 6.7 million).

The liability is included in other liabilities, cf. note 22.

Note 30

Share-based payment *(continued)*

2019-2021 phantom share program

DKK thousand	2022	2021	2020	2019
Outstanding as of January 1	92,531	55,095	19,213	-
Granted during the year	-	37,436	29,437	19,213
Adjustment following rights issue March 2020	-	-	6,445	-
Exercised during the year	(85,367)	-	-	-
Expired during the year	(7,164)	-	-	-
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%

The expected volatility for 2020 and 2021 is based on the volatility for a peer group, whereas the volatility for 2019 is based on the historic volatility of the Company.

The 2019-2021 program exercised in January 2022 at a share price of DKK 241.61.

Revaluation of granted phantom shares and reversal of not exercised phantom shares provided a net income of DKK 3.6 million (net expense 2021: DKK 8.7 million).

The liability is included in other liabilities, cf. note 22.

Note 30

Share-based payment *(continued)*

Outstanding restricted stock units

	2022					
	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 2021	-	22,578	-	22,578	163	Mar. 2025
Matching shares - bonus 2021	-	11,288	-	11,288	163	Mar. 2025
CEO retention plan	-	17,109	-	17,109	156	Apr. 2025
Matching shares - CEO retention plan	-	8,554	-	8,554	156	Apr. 2025
Sign-on bonus COO	-	4,446	-	4,446	165	Apr. 2025
Matching shares - sign-on COO	-	2,223	-	2,223	165	Apr. 2025
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
Executive Management	**78,218**	**66,198**	**(24,119)**	**120,297**		
Board of Directors:						
Fee 2022	-	11,467	-	11,467	153	Apr. 2025
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
Board of Directors	**26,578**	**11,467**	**(12,340)**	**25,705**		
Total	**104,796**	**77,665**	**(36,459)**	**146,002**		

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 Other 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.

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.

Note 30

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.

The grant of the initial restricted stock units to the Executive Management (22,578 shares) had no impact on the income statement for 2022, as the corresponding cash bonus (DKK 3.7 million) was accrued in 2021, though the amount has been reclassified from "Salary and wages" to "Share-based payment" in the staff cost note (note 8). The obligation related to the matching shares amount to DKK 1.8 million measured at the same fair value as the initial restricted stock units (DKK 163). The obligation will be expensed over the three year vesting period.

During 2022, DKK 9.2 million has been expensed and recognized as share-based payment related to Executive Management, this includes the expensing of CEO retention plan and sign-on bonus to COO.

The grant of restricted stock units to the Board of Directors (11,467 shares - DKK 1.8 million) were fully expensed at grant.

Note 30

Share-based payment (continued)

Total share-based payments
Below a specification of all share-based payments expensed in 2022 and 2021. The amounts reconcile to note 8.

DKK thousand	2022	2021
Warrants	42,937	31,265
Restricted stock units	11,039	7,319
Share-based payment recognized directly in equity	**53,976**	**38,584**
2021-2023 phantom share program	143	3,589
2020-2022 phantom share program	(1,234)	6,740
2019-2021 phantom share program	(3,601)	8,739
Share-based payment recognized as a liability (change during the year)	**(4,692)**	**19,068**
Total share-based payment expensed, cf. note 8	**49,284**	**57,652**
Restricted stock units converted to cash bonus at exercise	-	(795)
Non-cash adjustment in cash flow statement	**49,284**	**56,857**

Note 31

Contingent liabilities and other contractual obligations

DKK thousand	2022	2021
Collaborative agreements		
Contractual obligations with research (CRO) and manufacturing (CMO) partners for long-term research projects.		
– Due within 1 year	260,082	131,865

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, 2022 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 15) nor the deferred consideration for product rights (note 24).

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, 2022 and the net present value of those future milestone payments have been recognized as deferrred consideration, see further description in note 24. 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 31

Contingent liabilities and other contractual obligations (continued)

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 32

Significant events after the balance sheet date

On February 15, 2023, the Company announced an update on its late-stage pipeline programs. The analysis of data from the completed Phase 3 trial of the RSV vaccine candidate, MVA-BN® RSV, is progressing according to plan and topline results from the study are still anticipated in mid-2023. In the Phase 3 trial of the COVID-19 booster vaccine candidate, ABNCoV2, the recruitment of subjects ≥65 years of age is taking longer than anticipated, pushing the expected completion of enrollment into the second quarter of 2023 with topline results now anticipated around mid-2023.

On February 15, 2023, the Company announced an agreement with Emergent BioSolutions Inc. to acquire two marketed travel vaccines, Vivotif® for the prevention of typhoid fever and Vaxchora® against cholera as well as a Phase 3 vaccine candidate for the prevention of Chikungunya virus for a total consideration of up to USD 380 million, including USD 270 million in an upfront payment and up to USD 110 million in future conditional milestone payments. The acquisition also includes facilities and key personnel related to the acquired assets.

On February 20, 2023, The Company announced successful completion of a directed issue and private placement of 7,046,839 new shares at an offer price of DKK 233 per share, raising gross proceeds of DKK 1,642 million.

Except as noted above, there have been no significant events between December 31, 2022 and the date of approval of these financial statements that would require a change to or additional disclosure in the financial statements.

Note 33

Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and Corporate Management and authorized for issue on March 2, 2023.

Financial statements – Parent company

Contents

Financial statements

Notes

Income statements

For the years ended December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Revenue	2	2,939,164	1,938,362
Production costs	4,5	1,401,431	1,266,481
Gross profit		**1,537,733**	**671,881**
Sales and distribution costs	4	182,880	168,903
Research and development costs	3,4,5	1,206,121	405,649
Administrative costs	4,5,6	386,992	327,031
Total operating costs		**1,775,993**	**901,583**
Income before interest and tax (EBIT)		**(238,260)**	**(229,702)**
Income from investments in subsidiaries	13	124,551	(131,075)
Financial income	7	112,534	82,643
Financial expenses	8	341,274	192,014
Income before company tax		**(342,449)**	**(470,148)**
Tax on income for the year	9	28	-
Net result for the year	21	**(342,477)**	**(470,148)**

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

Statements of financial position – Assets

December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Non-current assets			
Product rights		4,639,895	4,912,830
Acquired rights and development in progress		1,013,484	733,770
Software		13,795	21,360
Other intangible assets in progress		274,490	134,371
Intangible assets	10	**5,941,664**	**5,802,331**
Land and buildings		629,829	345,536
Leasehold improvements		1,428	1,882
Plant and machinery		321,589	254,530
Other fixtures and fittings, other plant and equipment		489,558	207,498
Assets under construction		184,280	560,551
Property, plant and equipment	11	**1,626,684**	**1,369,997**
Right-of-use assets	12	**18,953**	**25,871**
Investments in subsidiaries	13	210,422	163,970
Other receivables		14,878	16,559
Other financial non-current assets		4,455	4,245
Financial assets		**229,755**	**184,774**
Total non-current assets		**7,817,056**	**7,382,973**

DKK thousand	Note	2022	2021
Current assets			
Inventories	14	**881,346**	**407,632**
Trade receivables		399,936	253,850
Receivables from subsidiaries		56,561	154,035
Other receivables		51,462	85,239
Prepayments		343,492	125,411
Receivables		**851,451**	**618,535**
Securities		2,269,759	3,124,795
Cash and cash equivalents		563,812	573,893
Securities, cash and cash equivalents		**2,833,571**	**3,698,688**
Total current assets		**4,566,368**	**4,724,855**
Total assets		**12,383,424**	**12,107,828**

Statements of financial position – Equity and liabilities

December 31, 2022 and 2021

DKK thousand	Note	2022	2021
Equity			
Share capital		707,354	704,684
Treasury shares		(1,462)	(1,111)
Retained earnings		5,901,428	6,556,902
Reserve for development costs		395,015	19,275
Other reserves		149,787	95,455
Equity		**7,152,122**	**7,375,205**
Liabilities			
Deferred consideration		2,324,657	2,569,090
Prepayment and loan from Government		566,420	160,511
Credit institutions		17,008	18,896
Lease liabilities	15	7,732	16,186
Non-current liabilities		**2,915,817**	**2,764,683**
Deferred consideration for product rights		287,436	577,667
Credit institutions		1,105,583	874,373
Lease liabilities	15	12,526	11,367
Prepayment from customers	16	-	16,904
Trade payables		584,731	246,271
Payables to subsidiaries		153,788	157,175
Other liabilities	17	171,421	84,183
Current liabilities		**2,315,485**	**1,967,940**
Total liabilities		**5,231,302**	**4,732,623**
Total equity and liabilities		**12,383,424**	**12,107,828**

	Note
Notes with reference to the consolidated financial statements	
Trade receivables	19
Prepayments	21
Financial risks and financial instruments	23
Deferred consideration for product rights	24
Prepayment and loan from Government	25
Debt to credit institutions	26
Prepayment from customers	28
Share-based payment	30

Statements of changes in equity

December 31, 2022

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserve for development costs	Other reserves	Equity
Equity as of January 1, 2022	**704,684**	**(1,111)**	**6,556,902**	**19,275**	**95,455**	**7,375,205**
Net result for the year	-	-	(342,477)	-	-	(342,477)
Exchange rate adjustments	-	-	(5,182)	-	-	(5,182)
Change in fair value of financial instruments entered into to hedge future cash flows	-	-	-	-	33,245	33,245
Share-based payment	-	-	-	-	53,976	53,976
Warrant programs exercised	2,670	-	46,145	-	(10,897)	37,918
Warrant recharged	-	-	8,876	-	-	8,876
Warrant programs expired	-	-	17,898	-	(17,898)	-
Costs related to issue of new shares	-	-	(111)	-	-	(111)
Purchase of treasury shares	-	(716)	(8,612)	-	-	(9,328)
Transfer regarding restricted stock units	-	365	3,729	-	(4,094)	-
Reserve for development costs	-	-	(375,740)	375,740	-	-
Equity as of December 31, 2022	**707,354**	**(1,462)**	**5,901,428**	**395,015**	**149,787**	**7,152,122**

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

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

Note 1

Significant accounting policies and significant accounting estimates and judgments

Accounting policies

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

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

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

Supplementary accounting policies for the Parent Company
Accounting policies for investments in subsidiaries are described in note 13.

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	2022	2021
MVA-BN smallpox vaccine sale	1,730,447	733,593
Rabipur/RabAvert	669,061	544,274
Encepur	301,100	365,091
Other product sale	105,139	260,220
Sale of goods	**2,805,747**	**1,903,178**
Milestone payments	83,048	-
Contract work	50,369	35,184
Sale of services	**133,417**	**35,184**
Revenue	**2,939,164**	**1,938,362**
Total revenue includes:		
Fair value adjustment concerning financial instruments entered into to hedge revenue	-	(7,072)

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 Rabipur/RabAvert has been lower than the sale to external customers in US and Switzerland, hence the Group Rabipur/RabAvert revenue is higher than the revenue recognized in the Group. In 2021 the situation was opposite due to high inventory build up in US at year-end 2021.The internal sale of Encepur in 2022 exceeded the sale to customers in Switzerland, hence the Encepur revenue recognized in the Parent Company is higher than the 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	2022	2021
Research and development costs incurred this year	1,226,008	427,527
Of which:		
Contract costs recognized as production costs	(19,887)	(21,878)
Research and development costs recognized in the income statement	**1,206,121**	**405,649**
Fair value adjustment concerning financial instruments entered into to hedge research and development costs	30,201	-

Accounting policies

See consolidated financial statements note 6.

Note 4

Staff costs

DKK thousand	2022	2021
Wages and salaries	458,504	371,127
Contribution based pension	38,552	32,724
Social security expenses	3,749	3,928
Other staff expenses	34,529	25,308
Share-based payment	49,656	53,290
Staff costs	**584,990**	**486,377**
Staff expenses are distributed as follows:		
Production costs	311,474	243,502
Sales and distribution costs	12,862	21,834
Research and development costs	69,798	65,148
Administrative costs	149,025	116,609
Capitalized salaries	41,831	39,284
Staff costs	**584,990**	**486,377**
Average number of employees converted to full-time	604	511
Number of employees as of December 31 converted to full-time	688	533

Note 4

Staff costs *(continued)*

DKK thousand	2022	2021
Staff costs include the following costs:		
Board of Directors:		
Remuneration	5,475	5,202
Share-based payment	1,750	1,950
Remuneration to Board of Directors	**7,225**	**7,152**
Executive Management:		
Salary	9,873	8,661
Paid bonus	2,068	3,956
Other employee benefits	692	678
Contribution based pension	1,367	2,048
Share-based payment	13,485	9,035
Corporate Management	**27,485**	**24,378**
Salary	5,211	5,981
Paid bonus	1,775	1,917
Other employee benefits	163	207
Contribution based pension	698	752
Share-based payment	3,698	3,869
Salary and benefits in notice period	7,851	7,378
Other Executive Management	**19,396**	**20,104**
Remuneration to Executive Management	**46,881**	**44,482**
Total Management remuneration	**54,106**	**51,634**

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

COO Russell Thirsk and CPO Anu Kerns constitute the Company's member of the Other Executive Management. Former COO Henrik Birk resigned by the end of March 2022.

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

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

Accounting policies

See consolidated financial statements note 8.

Note 5

Depreciation, amortization and impairment losses

DKK thousand	2022	2021
Depreciation and amortization included in:		
Production costs	349,893	346,012
Research and development costs	2,599	2,340
Administrative costs	27,807	24,954
Depreciation and amortization	**380,299**	**373,306**
Hereof profit ()/loss from disposed fixed assets	1,175	5,259
Impairment losses included in:		
Production costs	-	618
Impairment losses	**-**	**618**

For further disclosures see the consolidated financial statements note 9.

Note 6

Fees to auditor appointed at the annual general meeting

DKK thousand	2022	2021
Audit of financial statements	1,961	1,942
Other assurance services	176	160
Tax advisory	20	135
Other services	143	213
Fees	**2,300**	**2,450**

Note 7

Financial income

DKK thousand	2022	2021
Financial income from bank and deposit contracts	27	1,739
Financial income from subsidiaries	30,256	22,875
Financial income from securities	19,543	11,045
Adjustment of deferred consideration due to change in estimated timing of payments	54,390	32,185
Currency adjustment deferred consideration	-	1,677
Net foreign exchange gains	8,318	13,122
Financial income	**112,534**	**82,643**

Accounting policies

See consolidated financial statements note 11.

Note 8

Financial expenses

DKK thousand	2022	2021
Interest expenses on debt	15,346	17,011
Financial expenses to subsidiaries	3,205	2,374
Fair value adjustments on securities	190,301	39,056
Unwinding of the discount related to deferred consideration	103,049	133,573
Currency adjustment deferred consideration	11,597	-
Net loss on derivative financial instruments at fair value in the income statement	17,776	-
Financial expenses	**341,274**	**192,014**

Accounting policies

See consolidated financial statements note 12.

Note 9

Tax for the year

DKK thousand	2022	2021
Tax recognized in the income statement		
Current tax on profit for previous years	28	-
Tax for the year recognized in the income statement	**28**	**-**
Tax on income for the year is explained as follows:		
Income before company tax	(342,449)	(470,148)
Calculated tax (22.0%) on income before company tax	(75,339)	(103,432)
Tax effect on:		
Income from investments in subsidiaries	(27,401)	28,837
Income()/expenses that are not taxable/deductible for tax purposes	(16,871)	(16,699)
Current tax on profit for previous years	28	-
Special tax credit	(46,946)	-
Change in non-recognized tax asset	166,557	94,007
Adjustment to previous years non-recognized tax asset	-	(2,713)
Tax on income for the year	**28**	**-**
Tax recognized in equity		
Tax for the year recognized in equity	**-**	**-**

Accounting policies

See consolidated financial statements note 13.

'Income()/expenses that are not taxable/deductible for tax purposes' primarily relates to the 30% step up deduction on research and development costs according to Section 8B of the Danish Tax Assessment Act.

Current tax on profit for previous years relates to preliminary tax assessment from the Finnish Tax Authorities as they deem the Parent Company has a permanent establishment in Finland since we have one employee hired by the Parent Company working from home in Finland.

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 13.

	2022				
DKK thousand	January 1, 2022	Adjustment to previous year	Recognized in the income statement	Recognized in equity	December 31, 2022
Product rights	(10,421)	-	73,302	-	62,881
Acquired rights and development in progress	-	-	(2,659)	-	(2,659)
Property, plant and equipment	60,500	4,184	23,440	-	88,124
Right-of-use-asset	370		(83)	-	287
Development projects for sale	32,446	-	-	-	32,446
Receivables	37	-	154	-	191
Financial instruments	297	-	-	(7,314)	(7,017)
Share-based payment	27,994	-	5,282	(5,871)	27,405
Tax losses carried forward	361,415	20,479	67,121	-	449,015
Not recognized tax asset	(472,638)	(24,663)	(166,557)	13,185	(650,673)
Recognized deferred tax assets	**-**	**-**	**-**	**-**	**-**

Note 10

Intangible assets

	2022				
DKK thousand	Product rights	Acquired rights and development in progress	Software	Other intangible assets in progress	Total
Costs as of January 1, 2022	5,458,700	733,770	95,930	134,371	6,422,771
Additions	-	279,714	3,007	142,691	425,412
Transfer	-	-	2,572	(2,572)	-
Cost as of December 31, 2022	**5,458,700**	**1,013,484**	**101,509**	**274,490**	**6,848,183**
Amortization as of January 1, 2022	545,870	-	74,570	-	620,440
Amortization	272,935	-	13,144	-	286,079
Amortization as of December 31, 2022	**818,805**	**-**	**87,714**	**-**	**906,519**
Carrying amount as of December 31, 2022	**4,639,895**	**1,013,484**	**13,795**	**274,490**	**5,941,664**
Carrying amount as of December 31, 2021	**4,912,830**	**733,770**	**21,360**	**134,371**	**5,802,331**

Accounting policies

See consolidated financial statements note 15.

Note 11

Property, plant and equipment

	2022					
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, 2022	545,592	4,456	424,289	250,852	560,551	1,785,740
Additions	73,769	-	25,866	138,479	101,356	339,470
Transfer	238,004	2	73,919	165,702	(477,627)	-
Disposals	-	-	(9,864)	(428)	-	(10,292)
Cost as of December 31, 2022	**857,365**	**4,458**	**514,210**	**554,605**	**184,280**	**2,114,918**
Depreciation and impairment losses as of January 1, 2022	200,056	2,574	169,759	43,354	-	415,743
Depreciation	27,480	456	31,060	21,994	-	80,990
Disposals	-	-	(8,198)	(301)	-	(8,499)
Depreciation and impairment losses as of December 31, 2022	**227,536**	**3,030**	**192,621**	**65,047**	**-**	**488,234**
Carrying amount as of December 31, 2022	**629,829**	**1,428**	**321,589**	**489,558**	**184,280**	**1,626,684**
Carrying amount as of December 31, 2021	**345,536**	**1,882**	**254,530**	**207,498**	**560,551**	**1,369,997**

For collateral see the consolidated financial statements note 16.

Accounting policies

See consolidated financial statements note 16.

Note 12

Right-of-use-assets

	2022			
DKK thousand	Rent facility	Car leasing	Equipment	Total
Right-of-use assets as of January 1, 2022	24,428	536	907	25,871
Additions	917	1,375	-	2,292
Modifications	3,290	1,058	-	4,348
Disposals	(2,412)	-	-	(2,412)
Depreciations	(10,545)	(1,071)	(439)	(12,055)
Reversal depreciations	909	-	-	909
Right-of-use assets as of December 31, 2022	**16,587**	**1,898**	**468**	**18,953**

	2021			
DKK thousand	Rent facility	Car leasing	Equipment	Total
Impact from applying IFRS 16 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**

DKK thousand	2022	2021
Amounts included in the income statement		
Interest expense leases	598	685
Depreciation recognized on right-of-use assets	12,055	11,210
Cost recognized for short term leases (less than 12 months)	145	293

Accounting policies

See consolidated financial statements note 17.

Note 13

Investment in subsidiaries

DKK thousand	2022
Costs as of January 1, 2022	691,254
Additions	49,198
Cost as of December 31, 2022	**740,452**
Net revaluation as of January 1, 2022	(649,399)
Net share of profit/loss for the year	898
Change in unrealized intra-group profits	123,653
Exchange rate adjustments	(5,182)
Net revaluation as of December 31, 2022	**(530,030)**
Carrying amount as of December 31, 2022	**210,422**
Carrying amount as of December 31, 2021	**163,970**

Non-current receivables from Bavarian Nordic, Inc. is recognized as part of "Investments in subsidiaries". During 2022 the receivables increased by DKK 49.2 million, shown as an addition in the table.

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%

Note 13

Investment in subsidiaries *(continued)*

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 14

Inventories

DKK thousand	2022	2021
Raw materials and supply materials	198,839	79,068
Work in progress	641,182	79,904
Manufactured goods and commodities	203,744	421,601
Write-down on inventory	(162,419)	(172,941)
Inventories	**881,346**	**407,632**
Write-down on inventory as of January 1	(172,941)	(63,537)
Write-down for the year	(78,101)	(171,643)
Use of write-down	46,031	62,239
Reversal of write-down	42,592	-
Write-down on inventory as of December 31	**(162,419)**	**(172,941)**
Cost of goods sold amounts to	603,598	481,916

For further details regarding development in inventory values see consolidated financial statements note 18.

Accounting policies and significant accounting estimates

See consolidated financial statements note 18.

Note 15

Lease liabilities

DKK thousand	2022	2021
Non-current	7,732	16,186
Current	12,526	11,367
Lease liabilities	**20,258**	**27,553**

DKK thousand	Due within 1 year	Due between 1 and 5 year	Due after 5 years	Total
2022				
Lease liabilities	12,526	7,732	-	20,258
2021				
Lease liabilities	11,367	16,186	-	27,553

Accounting policies

See consolidated financial statements note 27.

Note 16

Prepayment from customers

DKK thousand	2022	2021
Prepayment from customers as of January 1	16,904	74,347
Prepayments received during the year	-	33,850
Recognized as income during the year	(16,904)	(91,293)
Prepayment from customers as of December 31	**-**	**16,904**

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

Accounting policies

See consolidated financial statements note 28.

Note 17

Other liabilities

DKK thousand	2022	2021
Derivative financial instruments at fair value in the income statement	8,302	1,351
Liability relating to phantom shares	11,142	23,917
Payable salaries, holiday accrual etc.	75,495	49,165
Gross to net deduction accrual	55,387	5,017
Other accrued costs	8,317	4,733
Payable VAT and duties	12,778	-
Other liabilities	**171,421**	**84,183**

For further details of derivative financial instruments, see consolidated financial statements note 23. The phantom share programs are disclosed in the consolidated financial statements note 30.

Accounting policies

See consolidated financial statements note 22.

Note 18

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.

Bavarian Nordic Sweden AB provides regional 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 30 in the consolidated financial statements, there are no transactions with related parties.

Note 19

Contingent liabilities and other contractual obligations

DKK thousand	2022	2021
Collaborative agreements		
Contractual obligations with research (CRO) and manufacturing (CMO) partners for long-term research projects.		
– Due within 1 year	260,082	127,300

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

Sales milestone to GlaxoSmithKline
The Asset Purchase Agreement with GlaxoSmithKline regarding the acquisition of the product rights to Rabipur/RabAvert and Encepur includes a sales milestone of EUR 25 million. As per December 31, 2022 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, 2022 and the net present value of those future milestone payments have been recognized as deferrred consideration, see further description in note 24 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, 2022. 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 20

Mortgages and collateral

DKK thousand	2022	2021
Guarantees for subsidiaries		
The Parent Company stands surety for a credit facility to a subsidiary of a maximum of	3,532	3,435
The Parent Company stands surety for letter of credit to subsidiaries of a maximum of	2,335	2,335

Mortgages
See description regarding property, plant and equipment in note 16 in the consolidated financial statements.

Note 21

Proposed appropriation of net profit/(loss)

DKK thousand	2022	2021
Retained earnings	(342,477)	(470,148)
Total	**(342,477)**	**(470,148)**

Note 22

Significant events after the balance sheet date

See description in note 32 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, 2022.

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, 2022, as well as of the results of their operations and the Group's cash flows for the financial year January 1 - December 31, 2022.

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-2022-12-31-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 2, 2023

Corporate Management

Paul John Chaplin
President and CEO

Henrik Juuel
Executive Vice President and CFO

Board of Directors

Gerard W.M. van Odijk
Chairman of the Board

Anders Gersel Pedersen
Deputy Chairman

Peter H. Kürstein-Jensen

Frank A.G.M. Verwiel

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

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements and the parent financial statements of Bavarian Nordic A/S for the financial year 1 January 2022 – 31 December 2022, which comprise the income statement, statements of financial position, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group (collectively referred to as the "Financial Statements"). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as endorsed 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 31 December 2022, and of the results of its operations and cash flows for the financial year 1 January 2022 – 31 December 2022 in accordance with International Financial Reporting Standards as endorsed 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 31 December 2022, and of the results of its operations for the financial year 1 January 2022 – 31 December 2022 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Long-form Auditor's report 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 24 years up to and including the 2022 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 1 January 2022 – 31 December 2022. 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	How our audit addressed the key audit matter
Capitalisation of development costs and prepayments related to ABNCoV2 Acquired rights and incurred development costs related to ABNCoV2 development project (COVID-19 booster vaccine), now in Phase 3, amount to DKK 1,013 million, and prepayments for CMO product supply amount to DKK 324 million. Intangible assets in progress related to costs for the scale up activities amounts to DKK 14 million. Total capitalised development costs and prepayments related to the ABNCoV2 development project amount to DKK 1,351 million as of 31 December 2022. During the past two years, significant development activities have been conducted and directly related development costs from commencement of the Phase 2 studies have been capitalised together with the cost of the acquired rights as Management considers the feasibility of completing a final compound and obtaining regulatory approval probable. Management's assessment is based on that the development of other COVID-19 vaccine candidates in the market based on similar technology have shown successful completion rates. Management has obtained significant funding from the Danish Ministry of Health to support the development activities and a significant part of the purchase price for the acquired rights is deferred. Repayment of the funding to the Danish Ministry of Health and the milestone payment for the acquired rights are contingent on obtaining certain milestones after completion of Phase 3. The audit of capitalised development costs regarding ABNCoV2 is considered a key audit matter due to the significant judgement involved in assessing whether the capitalisation criteria have been met. Refer to note 1 "Significant accounting policies", note 2 "Significant accounting estimates and judgements", note 15 "Intangible assets", note 21 "Prepayments", note 24 "Deferred consideration" and note 25 "Prepayment and loan from Government" to the consolidated financial statements.	We have assessed the appropriateness of capitalizing the development costs regarding ABNCoV2. In this context, we: • inquired Management about the overall development of the Phase 3 study and their assessment of the criteria for capitalisation of development costs. Based on our knowledge of the study and the industry, we have challenged their judgement of the criteria and obtained an understanding of Management's process for the judgement and tested internal controls over the judgement. • evaluated the nature and the attribution of the capitalised development costs consisting of capitalised future milestone payments for the acquired rights, external CMO costs, investment in production facilities, test inventory batches and internal labor costs, based on documentation obtained from Management. • tested the external costs, on a sample basis, by agreeing such costs to contracts and external invoices and evaluated the attribution to the ABNCoV2 development project. • obtained specification of hours incurred by employees that are directly attributable to the development activities, which were approved by Management. We tested the hours incurred on the development project to approved timesheets. We discussed with project managers to understand the nature of work performed by these employees. • evaluated agreements and assessed whether the disclosures; note 1, 2, 15, 21, 24 and note 25 in the consolidated financial statements meet the requirements of IFRS.

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 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 endorsed 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 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 Financial Statements, including the disclosures in the notes, and whether the 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 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 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 1 January 2022 to 31 December 2022 with the file name bava-2022-12-31-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 including notes.

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 including notes;
- 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 1 January to 31 December 2022 with the file name bava-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 2 March 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen
State-Authorised Public Accountant

Identification No (MNE) no 21358

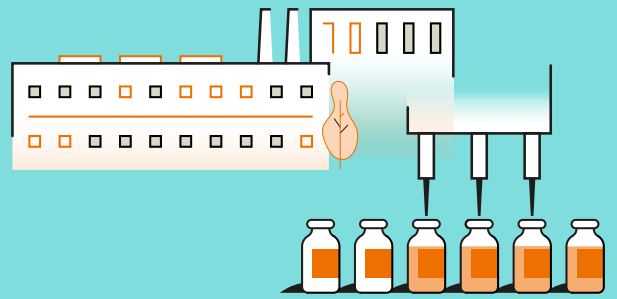
Eskild Nørregaard Jakobsen
State-Authorised Public Accountant

Identification No (MNE) no 11681

Other information

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 production: Noted

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BAVARIAN NORDIC