



BAVARIAN NORDIC

Company Announcement

## Bavarian Nordic Announces Interim Results for the First Three Months of 2019

COPENHAGEN, Denmark, May 22, 2019 - Bavarian Nordic A/S (OMX: BAVA, OTC: BVNRY) announced today its interim financial results and business progress for the first three months of 2019.

**Paul Chaplin, President & Chief Executive Officer of Bavarian Nordic said:** "As outlined in our strategy, 2019 and 2020 will be transitional years for Bavarian Nordic with significant investments in R&D and our new fill and finish facility, all with the objective to secure future revenue, growth and profitability. We have prepared for an eventful year, and while we have already shared several news during the first quarter, there are more exciting news to come, including the anticipated first U.S. approval, which will solidify our position as the global leader in the smallpox vaccine space and create new commercial opportunities ahead. Also, the approval will trigger the award of a Priority Review Voucher which, when sold, will contribute to maintaining a strong financial position. We also look forward to presenting a finalized plan for Phase 3 development of our RSV vaccine, and to report Phase 2 data from our immuno-oncology programs later this year. So, we are moving forward within all four strategic pillars of the company as planned and are reporting a first quarter fully in line with our expectations and guidance, both financially and operationally."

### OPERATIONAL HIGHLIGHTS

#### Delivering our strategy

Our strategy is four-fold, and aims to secure and reinforce a sustainable foundation, while also expanding the commercial opportunities:

- MAINTAIN global leadership of our **smallpox** vaccine business
- EXPAND and rapidly ADVANCE the pipeline of **infectious disease** programs
- ESTABLISH a broad and deep **cancer immunotherapy** portfolio
- EXPAND the **commercial** footprint and capabilities

#### Smallpox

- We have seen continued strong progress for our smallpox vaccine program, reinforcing our global leadership position.
- The approval of the liquid-frozen formulation and award of a Priority Review Voucher are anticipated in September of 2019.
- We have continued manufacturing for the ongoing contract for freeze-dried MVA-BN and will have produced bulk vaccine worth USD 333 million by year-end, of which USD 50 million are part of our 2019 revenues.
- In January, we were awarded USD 44 million by the U.S. Government for qualification of our new fill and finish facility, as well as for transfer and validation of the production process for freeze-dried MVA-BN, which are all activities that will occur during 2020 before starting production of the current order (conversion of bulk vaccine to approx. 13 million final vaccine doses).
- The pivotal Phase 3 lot consistency trial of the freeze-dried formulation of MVA-BN is planned to initiate in the second quarter of 2019. Based on the successful completion of this trial, we expect to submit a BLA supplement in 2021 with anticipated approval in 2022 of freeze-dried MVA-BN.

#### Infectious diseases

- We remain at the forefront of **RSV vaccine** development with our differentiated, broad-spectrum vaccine candidate, which has successfully concluded Phase 2 development in elderly. We are currently in discussions with U.S. regulatory authorities on licensure requirements and expect to outline the Phase 3 development plan around mid-2019.
- In February, our partner Janssen initiated a Phase 1/2a of the **therapeutic HPV vaccine** regimen. This is the first of three commercial programs under our partnership to initiate clinical trials. The second program, HIV, is also expected to initiate clinical trials later this year. Collectively, these programs, along with our Ebola collaboration represent USD 1 billion in potential future milestone payments, in addition to royalties on future sales.
- Our partnership with the U.S. Department of Defense on the development of a prophylactic vaccine against the **equine encephalitis virus** - a rare, but potentially deadly illness - further evolved, as we received funding to support a Phase 1 clinical trial, which we expect to initiate later this year. Successful trial results could lead to additional funding of clinical development towards licensure.

## Cancer immunotherapy

- In January, our pivotal Phase 2 trial of **BN-Brachyury** for the treatment of chordoma completed the recruitment of patients for the first stage ahead of schedule. The first results from this study are expected by the end of this year.
- Our other immune-oncology candidate, **CV301**, is currently subject of three Phase 2 trials in multiple cancers, where the vaccine is combined with different immune checkpoint inhibitors. The first results from one of these trials, where CV301 is combined with atezolizumab in bladder cancer, is expected to become available later in 2019.
- Both vaccine candidates will be employed in new trials later this year to investigate new routes of administration as part of our strategy to further enhance our immuno-oncology platform.

## Commercial

- Construction of our **fill and finish facility** is progressing according to plan, and we expect the building to be completed by end of 2019, which is also the peak investment year with approximately DKK 270 million in total investments. Subsequently, qualification and validation activities will begin and continue into late 2020 before initiating production.

## FINANCIALS AND OUTLOOK

### Financial results for the first quarter in line with expectations

- Revenue generated for the three months ending March 31, 2019 was DKK 127 million/USD 19 million (DKK 11 million/USD 2 million in the first three months of 2018).
- The income before interest and tax (EBIT) was a loss of DKK 104 million/USD 16 million (loss of DKK 173 million/USD 26 million in the first three months of 2018).
- As of March 31, 2019, the Group's cash preparedness was DKK 2,172 million/USD 327 million (DKK 2,314 million/USD 327 million as of December 31, 2018), including unutilized credit lines of DKK 244 million/USD 37 million (DKK 244 million/USD 37 million as of December 31, 2018).

Danish kroner (DKK) is the Company's reporting currency. The USD figures provided above are based upon an assumed exchange rate of DKK 6.64 per 1.00 USD, which was the exchange rate as of March 31, 2019.

### Outlook for 2019 maintained

We maintain our financial expectations for 2019 as announced on March 21, 2019 with revenues of approximately DKK 600 million/USD 92 million for the full year, a loss before interest and tax (EBIT) of approximately DKK 360 million/USD 55 million and a cash preparedness at year-end of approximately DKK 1,600 million/USD 246 million.

While the Company anticipates the award of a Priority Review Voucher upon the expected approval of MVA-BN smallpox vaccine by the FDA in 2019, income from the sale of this voucher has not been included in the guidance.

The financial expectations are based on an exchange rate of DKK 6.50 per 1.00 USD. For further details regarding assumptions behind the guidance see the Annual Report 2018.

### Conference call and webcast

The management of Bavarian Nordic will host a conference call today at 2 pm CEST (8 am EST) to present the interim results followed by a Q&A session. A listen-only version of the call can be accessed via <http://www.bavarian-nordic.com/investor/events.aspx?event=5503>. To join the Q&A session, use one of the following dial-in numbers: Denmark: +45 32 72 80 42, UK: +44 (0) 844 571 8892, USA: +1 631-510-7495. Participant code is 3096344.

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### About Bavarian Nordic

Bavarian Nordic is a fully integrated biotechnology company focused on the development of innovative therapies against cancer and infectious diseases. Using our live virus vaccine platform technology, MVA-BN®, we have created a diverse portfolio of proprietary and partnered product candidates intended to improve the health and quality of life for children and adults. We supply our IMVAMUNE® non-replicating smallpox vaccine to the U.S. Strategic National Stockpile and other government stockpiles. The vaccine is approved in the European Union (under the trade name IMVANEX®) and in Canada. Registration studies are currently underway in the U.S. In addition to our long-standing collaboration with the U.S. government on the development of IMVAMUNE® and other medical countermeasures, our infectious disease pipeline comprises a proprietary RSV program as

well as vaccine candidates for Ebola, HPV, HBV and HIV, which are developed through a strategic partnership with Janssen. Additionally, in collaboration with the National Cancer Institute, we have developed a portfolio of active cancer immunotherapies, designed to alter the disease course by eliciting a robust and broad anti-cancer immune response while maintaining a favorable risk-benefit profile. Through multiple industry collaborations, we seek to explore the potential synergies of combining our immunotherapies with other immune-modulating agents, e.g. checkpoint inhibitors. For more information visit [www.bavarian-nordic.com](http://www.bavarian-nordic.com) or follow us on Twitter [@bavariannordic](https://twitter.com/bavariannordic).

#### **Forward-looking statements**

This announcement includes forward-looking statements that involve risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements. Forward-looking statements include statements concerning our plans, objectives, goals, future events, performance and/or other information that is not historical information. All such forward-looking statements are expressly qualified by these cautionary statements and any other cautionary statements which may accompany the forward-looking statements. We undertake no obligation to publicly update or revise forward-looking statements to reflect subsequent events or circumstances after the date made, except as required by law.

**CONSOLIDATED KEY FIGURES (UNAUDITED)**

DKK thousand	1/1 - 31/3 2019	1/1 - 31/3 2018	1/1-31/12 2018
<b>Income statements</b>			
Revenue	126,834	11,294	500,617
Production costs	77,555	19,106	255,117
Research and development costs	103,739	116,634	386,299
Distribution costs	10,161	9,507	33,725
Administrative costs	39,686	38,918	179,958
Income before interest and taxes (EBIT)	(104,307)	(172,871)	(354,482)
Financial items, net	5,405	(8,814)	(2,153)
Income before company tax	(98,902)	(181,685)	(356,635)
Net profit for the period	(99,625)	(182,445)	(361,927)
<b>Balance sheet</b>			
Total non-current assets	683,806	401,385	552,680
Total current assets	2,078,009	2,628,431	2,508,256
Total assets	2,761,815	3,029,816	3,060,936
Equity	2,087,152	2,333,053	2,180,628
Non-current liabilities	452,201	399,223	397,613
Current liabilities	222,462	297,540	482,695
<b>Cash flow statements</b>			
Securities, cash and cash equivalents	1,927,854	2,445,953	2,317,214
Cash flow from operating activities	(70,845)	(206,965)	(288,529)
Cash flow from investment activities	193,248	(29,433)	17,089
- Investment in intangible assets	-	(1,212)	(10,186)
- Investment in property, plant and equipment	(72,762)	(27,695)	(201,775)
- Net investment in securities	265,972	(407)	229,206
Cash flow from financing activities	(250,719)	110,353	245,844
<b>Financial Ratios (DKK) <sup>1)</sup></b>			
Earnings (basic) per share of DKK 10	(3.1)	(5.7)	(11.2)
Net asset value per share	64.6	72.4	67.5
Share price at period-end	139	189	127
Share price/Net asset value per share	2.2	2.6	1.9
Number of outstanding shares at period-end	32,311	32,245	32,311
Equity share	76%	77%	71%
Number of employees, converted to full-time, at period-end	436	414	419

<sup>1)</sup> 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.

**Notes**

(stated in the end of this document):

1. Significant accounting policies
2. Significant accounting estimates, assumptions and uncertainties
3. Revenue
4. Production costs
5. Research and development costs
6. Financial income
7. Financial expenses
8. Inventories
9. Other receivables
10. Debt to credit institutions
11. Prepayment from customers
12. Other liabilities
13. Deferred tax asset
14. Right-of-use assets and lease liabilities
15. Transferred financial assets that are not derecognized
16. Financial instruments
17. Incentive plans
18. Significant changes in contingent liabilities and other contractual obligations
19. Significant events after the balance sheet date
20. Approval of the unaudited condensed consolidated interim financial statements

## FINANCIAL STATEMENT FOR THE PERIOD JANUARY 1 - MARCH 31, 2019

*Financial statements are un-audited. Comparison figures for the same period 2018 are stated in parentheses.*

Revenue generated for the three months ending March 31, 2019 was DKK 127 million (DKK 11 million). Revenue was composed of DKK 49 million (DKK 4 million) from the sale of MVA-BN smallpox vaccine bulk drug substance to U.S. Government and DKK 78 million (DKK 7 million) from contract work.

Production costs totaled DKK 78 million (DKK 19 million). Costs related directly to revenue amounted to DKK 56 million (DKK 5 million). Other production costs totaled DKK 22 million (DKK 14 million).

Research and development costs totaled DKK 104 million (DKK 117 million). The amount excludes R&D costs of DKK 43 million (DKK 5 million) classified as production costs.

Distribution costs totaled DKK 10 million (DKK 10 million) and administrative costs totaled DKK 40 million (DKK 39 million).

Income before interest and tax (EBIT) was a loss of DKK 104 million (loss of DKK 173 million).

Financial items totaled a net income of DKK 5 million (net expense of DKK 8 million). Net income from securities amounted to DKK 8 million (DKK 0 million), net foreign exchange rate gains amounted to DKK 1 million (net loss DKK 3 million) partly offset by interest expenses on debt of DKK 4 million (DKK 4 million).

Income before company tax was a loss of DKK 99 million (loss of DKK 182 million).

Tax on income was DKK 1 million (DKK 1 million) and relates to the German subsidiary. The Danish tax loss carry forward related to the result for the first three months of 2019 has been fully written-down. The deferred tax asset remains at DKK 0 million. The Company retains the right to use the tax loss carry forward (tax value DKK 322 million) and the other tax assets (tax value DKK 43 million) that has been written-down. The development in the deferred tax asset is shown in note 13.

The Company is still in dialogue with the Danish tax authority ("Skattestyrelsen") regarding Skattestyrelsen's proposal to adjust the allocation of the PROSTVAC development costs between Bavarian Nordic A/S and its U.S. subsidiary, Bavarian Nordic, Inc. for the income years 2012-2016.

For the first three months of 2019, Bavarian Nordic reported a net loss of DKK 100 million (net loss of DKK 182 million).

Following the implementation of IFRS 16 "Leases" right-of-use-assets have been recognized with DKK 69 million and lease liabilities with DKK 69 million. For further disclosure see note 14.

Securities, cash and cash equivalents decreased by DKK 389 million compared to December 31, 2018. In January the repo transactions were settled reducing the value of securities by DKK 247 million. During the first three months of 2019 DKK 73 million was spent on investments in property, plant and equipment, mainly related to the construction of the new fill/finish manufacturing line in Kvistgaard.

As of March 31, 2019, the Group's cash preparedness was DKK 2,172 million (DKK 2,314 million as of December 31, 2018):

DKK million	31/3 2019	31/3 2018	31/12 2018
Securities	1,788	2,296	2,050
Cash and cash equivalents	140	150	267
Securites, cash and cash equivalents	1,928	2,446	2,317
Unutilized credit facility	244	20	244
Repo transactions loan	-	(111)	(247)
<b>Cash preparedness</b>	<b>2,172</b>	<b>2,355</b>	<b>2,314</b>
European Investment Bank (bullet loan with expiry in 2022)	372	372	372

Cash flow spend on operating activities was DKK 71 million (spend of DKK 207 million), mainly driven by the net loss of DKK 100 million (net loss of DKK 182 million). Cash flow from investment activities was positive by DKK 193 million (spend of DKK 29 million) as investments in property, plant and equipment was off-set by net disposal of securities of DKK 266 million (net investment of 1 million). Cash flow from financing activities was a spend of DKK 251 million (contribution of DKK 110 million), mainly due to settlement of the repo transactions resulting in a repayment of DKK 247 million (see note 15). The net change in cash and cash equivalents was DKK -128 million (DKK -126 million).

The Group's equity as of March 31, 2019 stood at DKK 2,087 million (DKK 2,181 million as of December 31, 2018).

**Significant risks and uncertainties**

Bavarian Nordic faces a number of risks and uncertainties, common for the biotech industry. These relate to operations, research and development, manufacturing, commercial and financial activities. For further information about risks and uncertainties which Bavarian Nordic faces, refer to page 51-52 "Risk Management" in the 2018 annual report.

Since the publication of the 2018 annual report, the overall risk profile of the Company remains largely unchanged.

## FINANCIAL STATEMENTS

### Unaudited Condensed Consolidated Income Statements for the Periods Ended March 31, 2019 and 2018 and December 31, 2018

DKK thousand	Note	1/1 - 31/3 2019	1/1 - 31/3 2018	1/1-31/12 2018
Revenue	3	126,834	11,294	500,617
Production costs	4	77,555	19,106	255,117
<b>Gross profit</b>		<b>49,279</b>	<b>(7,812)</b>	<b>245,500</b>
Research and development costs	5	103,739	116,634	386,299
Distribution costs		10,161	9,507	33,725
Administrative costs		39,686	38,918	179,958
<b>Total operating costs</b>		<b>153,586</b>	<b>165,059</b>	<b>599,982</b>
<b>Income before interest and tax (EBIT)</b>		<b>(104,307)</b>	<b>(172,871)</b>	<b>(354,482)</b>
Financial income	6	9,496	5,594	34,973
Financial expenses	7	4,091	14,408	37,126
<b>Income before company tax</b>		<b>(98,902)</b>	<b>(181,685)</b>	<b>(356,635)</b>
Tax on income for the period		723	760	5,292
<b>Net profit for the period</b>		<b>(99,625)</b>	<b>(182,445)</b>	<b>(361,927)</b>
<b>Earnings per share (EPS) - DKK</b>				
Basic earnings per share of DKK 10		(3.1)	(5.7)	(11.2)
Diluted earnings per share of DKK 10		(3.1)	(5.7)	(11.2)

### Unaudited Condensed Consolidated Statements of Comprehensive Income for the Periods Ended March 31, 2019 and 2018 and December 31, 2018

DKK thousand		1/1 - 31/3 2019	1/1 - 31/3 2018	1/1-31/12 2018
<b>Net profit for the period</b>		<b>(99,625)</b>	<b>(182,445)</b>	<b>(361,927)</b>
<b>Items that might be reclassified to the income statement:</b>				
Exchange rate adjustments on translating foreign operations		4	70	93
Fair value of financial instruments entered into to hedge future cash flows		(3,688)	144	(228)
<b>Other comprehensive income after tax</b>		<b>(3,684)</b>	<b>214</b>	<b>(135)</b>
<b>Total comprehensive income</b>		<b>(103,309)</b>	<b>(182,231)</b>	<b>(362,062)</b>

**Unaudited Condensed Consolidated Statements of Financial Position - Assets as of March 31, 2019 and 2018 and December 31, 2018**

DKK thousand	Note	31/3 2019	31/3 2018	31/12 2018
<b>Assets</b>				
Software		29,790	28,027	32,381
Intangible assets in progress		119	2,395	119
<b>Intangible assets</b>		<b>29,909</b>	<b>30,422</b>	<b>32,500</b>
Land and buildings		175,161	191,801	179,442
Leasehold improvements		970	1,225	1,047
Plant and machinery		51,763	60,612	54,311
Fixtures and fittings, other plant and equipment		22,436	21,722	21,894
Assets under construction		332,997	94,268	262,114
<b>Property, plant and equipment</b>		<b>583,327</b>	<b>369,628</b>	<b>518,808</b>
<b>Right-of-use assets</b>	14	<b>69,236</b>	-	-
Other receivables		1,334	1,335	1,372
<b>Financial assets</b>		<b>1,334</b>	<b>1,335</b>	<b>1,372</b>
Deferred tax assets	13	-	-	-
<b>Total non-current assets</b>		<b>683,806</b>	<b>401,385</b>	<b>552,680</b>
<b>Development projects for sale</b>		<b>22,201</b>	<b>22,200</b>	<b>22,200</b>
<b>Inventories</b>	8	<b>74,294</b>	<b>113,351</b>	<b>78,688</b>
Trade receivables		20,125	12,011	31,227
Tax receivables		-	5,396	-
Other receivables	9	19,476	21,588	21,345
Prepayments		14,059	7,932	37,582
<b>Receivables</b>		<b>53,660</b>	<b>46,927</b>	<b>90,154</b>
Securities	15	1,787,542	2,295,606	2,050,556
Cash and cash equivalents		140,312	150,347	266,658
<b>Securites, cash and cash equivalents</b>		<b>1,927,854</b>	<b>2,445,953</b>	<b>2,317,214</b>
<b>Total current assets</b>		<b>2,078,009</b>	<b>2,628,431</b>	<b>2,508,256</b>
<b>Total assets</b>		<b>2,761,815</b>	<b>3,029,816</b>	<b>3,060,936</b>

**Unaudited Condensed Consolidated Statements of Financial Position - Equity and Liabilities  
as of March 31, 2019 and 2018 and December 31, 2018**

DKK thousand	Note	31/3 2019	31/3 2018	31/12 2018
<b>Equity and liabilities</b>				
Share capital		323,106	322,451	323,106
Treasury shares		(396)	(233)	(507)
Retained earnings		1,700,397	1,974,438	1,797,122
Other reserves		64,045	36,397	60,907
<b>Equity</b>		<b>2,087,152</b>	<b>2,333,053</b>	<b>2,180,628</b>
Debt to credit institutions	10	397,076	399,223	397,613
Lease liabilities	14	55,125	-	-
<b>Non-current liabilities</b>		<b>452,201</b>	<b>399,223</b>	<b>397,613</b>
Debt to credit institutions	10	2,148	113,042	248,877
Lease liabilities	14	14,312	-	-
Prepayment from customers	11	14,627	77,945	41,818
Trade payables		93,881	36,261	93,962
Company tax		1,106	165	1,108
Other liabilities	12	96,388	70,127	96,930
<b>Current liabilities</b>		<b>222,462</b>	<b>297,540</b>	<b>482,695</b>
<b>Total liabilities</b>		<b>674,663</b>	<b>696,763</b>	<b>880,308</b>
<b>Total equity and liabilities</b>		<b>2,761,815</b>	<b>3,029,816</b>	<b>3,060,936</b>

**Unaudited Condensed Consolidated Statements of Cash Flow for the Periods Ended March 31, 2019 and 2018 and December 31, 2018**

DKK thousand	1/1 - 31/3 2019	1/1 - 31/3 2018	1/1-31/12 2018
<b>Net profit for the period</b>	<b>(99,625)</b>	<b>(182,445)</b>	<b>(361,927)</b>
Adjustment for non-cash items:			
Financial income	(9,496)	(5,594)	(34,973)
Financial expenses	4,091	14,408	37,126
Tax on income for the period	723	760	5,292
Depreciation, amortization and impairment losses	14,473	9,841	41,639
Share-based payment	10,035	8,802	33,913
Changes in inventories	4,394	(1,504)	33,159
Changes in receivables	48,494	6,355	(39,990)
Changes in current liabilities	(43,232)	(60,552)	(10,973)
<b>Cash flow from operations (operating activities)</b>	<b>(70,143)</b>	<b>(209,929)</b>	<b>(296,734)</b>
Received financial income	5,456	4,940	27,662
Paid financial expenses	(5,433)	(1,243)	(15,642)
Paid company taxes	(725)	(733)	(3,815)
<b>Cash flow from operating activities</b>	<b>(70,845)</b>	<b>(206,965)</b>	<b>(288,529)</b>
Investments in and additions to intangible assets	-	(1,212)	(10,186)
Investments in property, plant and equipment	(72,762)	(27,695)	(201,775)
Investments in/disposal of financial assets	38	(119)	(156)
Investments in securities	(322,370)	(286,841)	(1,228,709)
Disposal of securities	588,342	286,434	1,457,915
<b>Cash flow from investment activities</b>	<b>193,248</b>	<b>(29,433)</b>	<b>17,089</b>
Payment on loans	(247,266)	(538)	(2,151)
Proceeds from loans	-	110,891	246,729
Repayment of lease liabilities	(3,453)	-	-
Proceeds from warrant programs exercised	-	-	5,415
Cost related to issue of new shares	-	-	(25)
Purchase of treasury shares	-	-	(4,124)
<b>Cash flow from financing activities</b>	<b>(250,719)</b>	<b>110,353</b>	<b>245,844</b>
<b>Cash flow of the period</b>	<b>(128,316)</b>	<b>(126,045)</b>	<b>(25,596)</b>
Cash as of 1 January	266,658	282,521	282,521
Currency adjustments 1 January	1,970	(6,129)	9,733
<b>Cash end of period</b>	<b>140,312</b>	<b>150,347</b>	<b>266,658</b>

## Unaudited Condensed Consolidated Statements of Changes in Equity for the Periods March 31, 2019 and 2018

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserves for currency adjustment			Share-based payment	Equity
				Reserves for fair value of financial instruments				
<b>Equity as of January 1, 2019</b>	<b>323,106</b>	<b>(507)</b>	<b>1,797,122</b>	<b>(37,409)</b>		<b>(357)</b>	<b>98,673</b>	<b>2,180,628</b>
<b>Comprehensive income for the period</b>								
Net profit	-	-	(99,625)	-	-	-	-	(99,625)
<b>Other comprehensive income</b>								
Exchange rate adjustments on translating foreign operations	-	-	-	4	-	-	-	4
Fair value of financial instruments	-	-	-	-	(3,688)	-	-	(3,688)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(99,625)</b>	<b>4</b>	<b>(3,688)</b>	<b>-</b>	<b>-</b>	<b>(103,309)</b>
<b>Transactions with owners</b>								
Share-based payment	-	-	-	-	-	-	9,833	9,833
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,833</b>	<b>9,833</b>
<b>Equity as of March 31, 2019</b>	<b>323,106</b>	<b>(507)</b>	<b>1,697,497</b>	<b>(37,405)</b>	<b>(4,045)</b>	<b>108,506</b>	<b>2,087,152</b>	

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserves for currency adjustment			Share-based payment	Equity
				Reserves for fair value of financial instruments				
<b>Equity as of January 1, 2018</b>	<b>322,451</b>	<b>(233)</b>	<b>2,156,883</b>	<b>(37,502)</b>		<b>(129)</b>	<b>64,827</b>	<b>2,506,297</b>
<b>Comprehensive income for the period</b>								
Net profit	-	-	(182,445)	-	-	-	-	(182,445)
<b>Other comprehensive income</b>								
Exchange rate adjustments on translating foreign operations	-	-	-	70	-	-	-	70
Fair value of financial instruments	-	-	-	-	144	-	-	144
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(182,445)</b>	<b>70</b>	<b>144</b>	<b>-</b>	<b>-</b>	<b>(182,231)</b>
<b>Transactions with owners</b>								
Share-based payment	-	-	-	-	-	-	8,987	8,987
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,987</b>	<b>8,987</b>
<b>Equity as of March 31, 2018</b>	<b>322,451</b>	<b>(233)</b>	<b>1,974,438</b>	<b>(37,432)</b>	<b>15</b>	<b>73,814</b>	<b>2,333,053</b>	

## NOTES

### 1. Significant accounting policies

The interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU and the additional Danish requirements for submission of interim reports for companies listed on Nasdaq Copenhagen. The interim report has not been audited or reviewed by the Company's auditors.

The interim financial statements are presented in Danish Kroner (DKK), which is considered the primary currency of the Group's activities and the functional currency of the parent company.

Except for the adoption of new standards effective as of January 1, 2019, as described below, the accounting policies used in the interim financial statements are consistent with those used in the consolidated financial statements for 2018 and in accordance with the recognition and measurement policies in the International Financial Reporting Standards (IFRS) as adopted by EU.

#### New standards, interpretations and amendments adopted

As of March 31, 2019, the Company has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2019 financial year, including the following accounting standards, which is the most relevant for the Company:

- IFRS 16, Leases (issued 2016)
- IFRIC 23, Uncertainty over income tax treatment (issued 2017).

Except for the implementation of IFRS 16 "Leases", described below, the implementation of new or amended standards and interpretations has not had any material impact on the condensed consolidated interim financial statements.

#### Effect from implementing IFRS 16, Leases

IFRS 16 has replaced IAS 17, Leases and IFRS 16 has introduced a changed accounting model for a lessee. Previously, lease contracts for a lessee were classified as either operating or finance leases. IFRS 16 requires the majority of operating leases to be recognized as lease assets with a related lease liability, similar to the previous accounting of finance leases. The lease payments, previously accounted for as operating expenses, have been split into an interest cost and a repayment of the lease liability. The lease assets are depreciated over the term of the lease contract.

We have implemented IFRS 16 using the simplified retrospective transition approach without restating comparative figures, with a lease asset value equal to the lease liability value upon transition. Consequently, 2018 comparative figures are reported according to IAS 17. This applies to all numbers prior to January 1, 2019 in text and tables, throughout the entire report, unless otherwise specifically stated.

Upon implementation we have elected to use the following exemptions proposed by the standard:

- Not to recognize lease contracts for which the lease terms ends within 12 months as of the date of initial application
- Not to reassess whether a contract is or contains a lease
- Apply only a single discount rate for a portfolio of lease assets with reasonable similar characteristics
- Exclude initial direct costs from the measurement of the right-of-use asset
- Not to separate non-lease components from lease components.

The Company recognizes all operating leases - with the few exemptions listed above - on the balance sheet as assets with a corresponding lease liability. The lease liability is equal to the discounted value of all future lease payments. The lease assets, right-of-use-assets, correspond to the lease liability adjusted by the amount of any prepaid or accrued lease payments recognized in the statement of financial position immediately before the date of initial application.

When assessing the future lease payments, we have included the payments, which are fixed or variable, dependent on an index or a rate. Non-lease components are included as part of the lease liability. When assessing the lease term, any extension or termination options have been 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, we have used an incremental country specific borrowing rate, based on a government bond plus the Group's credit margin, ranging from 2.5% to 5.0%.

Upon implementation January 1, 2019, we have recognized a right of use asset of DKK 83 million and a lease liability of DKK 83 million. The implementation has no impact on equity. The right-of-use-assets relate primarily to land and buildings with lease terms ranging from 5 to 7 years.

Had the Group applied the previous accounting policy for leases according to IAS 17 in the first quarter of 2019, the income before interest and tax (EBIT) for the period would have been a loss of DKK 105 million, an increase of DKK 1 million in loss compared to the actual numbers for the first quarter of 2019.

Implementation of IFRS 16 has no impact on the underlying cash flows. However, due to the lease payments being split into interest costs and a repayment of the lease liability, the presentation in the cash flow statement has changed. The change has improved the cash flow from operating activities by DKK 3 million whereas the cash outflow from financing activities has been negatively impacted by DKK 3 million.

The impact from implementation of IFRS 16 "Leases" is further described in note 14.

#### Effect from implementing IFRIC 23, Uncertainty over income tax treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

We have established the necessary processes and procedures to obtain information that is required to apply the interpretation. The implementation has had no significant impact on the financial statements.

**2. Significant accounting estimates, assumptions and uncertainties**

In the preparation of the interim financial statements according to IAS 34, *Interim Financial Reporting*, as adopted by the EU, Management is required to make certain estimates as many financial statement items cannot be reliably measured but must be estimated. Such estimates comprise judgments made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events.

Similarly, the value of assets and liabilities often depends on future events that are somewhat uncertain. In that connection, it is necessary to set out e.g. a course of events that reflects Management's assessment of the most probable course of events.

Further to the significant accounting estimates, assumptions and uncertainties, which are stated in the Annual Report 2018, the Management has not changed significant estimates and judgments regarding recognition and measurement.

DKK thousand	1/1 - 31/3 2019	1/1 - 31/3 2018	1/1-31/12 2018
<b>3. Revenue</b>			
MVA-BN smallpox vaccine sale	48,849	4,380	360,523
Sale of goods	48,849	4,380	360,523
Contract work	77,985	6,914	140,094
Sale of services	77,985	6,914	140,094
<b>Revenue</b>	<b>126,834</b>	<b>11,294</b>	<b>500,617</b>
Total revenue includes:			
Fair value adjustment concerning financial instruments entered into to hedge revenue	-	-	907
<b>4. Production costs</b>			
Cost of goods sold, MVA-BN smallpox vaccine	12,187	167	94,557
Contract costs	43,174	4,530	74,269
Other production costs	22,194	14,409	86,291
<b>Production costs</b>	<b>77,555</b>	<b>19,106</b>	<b>255,117</b>
<b>5. Research and development costs</b>			
Research and development costs occurred in the period	146,913	121,164	460,568
Of which:			
Contract costs recognized as production costs	(43,174)	(4,530)	(74,269)
<b>Research and development costs</b>	<b>103,739</b>	<b>116,634</b>	<b>386,299</b>
<b>6. Financial income</b>			
Financial income from bank and deposit contracts	431	125	842
Interest income from financial assets not measured at fair value through the income statement	431	125	842
Financial income from securities	5,108	5,469	21,765
Fair value adjustments on securities	2,846	-	-
Net foreign exchange gains	1,111	-	12,366
<b>Financial income</b>	<b>9,496</b>	<b>5,594</b>	<b>34,973</b>
<b>7. Financial expenses</b>			
Interest expenses on debt	4,091	3,677	14,531
Interest expenses on financial liabilities not measured at fair value through the income statement	4,091	3,677	14,531
Fair value adjustments on securities	-	5,919	18,667
Net loss on derivative financial instruments at fair value through the income statement	-	1,511	3,928
Net foreign exchange losses	-	3,301	-
<b>Financial expenses</b>	<b>4,091</b>	<b>14,408</b>	<b>37,126</b>

DKK thousand	31/3 2019	31/3 2018	31/12 2018
<b>8. Inventories</b>			
Raw materials and supply materials	28,414	31,559	28,391
Work in progress	147,552	141,564	156,232
Manufactured goods and commodities	1,758	2,972	1,757
Write-down on inventory	(103,430)	(62,744)	(107,692)
<b>Inventories</b>	<b>74,294</b>	<b>113,351</b>	<b>78,688</b>
Write-down on inventory 1 January	(107,692)	(52,705)	(52,705)
Write-down during the period	-	(10,039)	(54,987)
Use of write-down	4,236	-	-
Reversal of write-down	26	-	-
<b>Write-down end of period</b>	<b>(103,430)</b>	<b>(62,744)</b>	<b>(107,692)</b>
<b>9. Other receivables</b>			
Receivable VAT and duties	8,716	8,639	10,669
Financial instruments at fair value	-	93	-
Accrued interest	10,760	12,856	10,676
<b>Other receivables</b>	<b>19,476</b>	<b>21,588</b>	<b>21,345</b>
<b>10. Debt to credit institutions</b>			
Mortgage	27,029	29,179	27,566
European Investment Bank (loan in DKK)	372,195	372,195	372,195
Security lending (repo transactions)	-	110,891	246,729
<b>Debt to credit institutions</b>	<b>399,224</b>	<b>512,265</b>	<b>646,490</b>
<b>11. Prepayment from customers</b>			
Prepayments from customers as of January 1	41,818	79,617	79,617
Prepayments received during the period	31,510	-	29,075
Recognized as income during the period	(58,701)	(1,672)	(66,874)
<b>Prepayments from customers end of period</b>	<b>14,627</b>	<b>77,945</b>	<b>41,818</b>
<b>12. Other liabilities</b>			
Financial instruments at fair value	4,045	1,032	388
Liability relating to phantom shares	476	1,247	275
Payable salaries, holiday accrual etc.	52,952	48,312	58,403
Deposit and prepaid rent from sub-tenants	-	1,670	1,379
Other accrued costs	38,915	17,866	36,485
<b>Other liabilities</b>	<b>96,388</b>	<b>70,127</b>	<b>96,930</b>

**13. Deferred tax asset**

DKK thousand	January 1, 2019	Recognized in the income statement	Recognized in equity	March 31, 2019
Intangible assets	3,703	(416)	-	3,287
Property, plant and equipment	15,515	1,643	-	17,158
Development projects for sale	17,420	-	-	17,420
Accrued project costs	(7,335)	5,366	(1,969)	
Financial instruments	78	-	811	889
Share-based payment	4,154	1,743	-	5,897
Tax losses carried forward	310,359	11,915	-	322,274
Write-down	(343,894)	(20,251)	(811)	(364,956)
<b>Recognized deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**14. Right-of-use assets and lease liabilities**

Reconciliation between operating lease commitments disclosed in the Annual Report for 2018 and the lease liabilities recognized January 1, 2019:

DKK thousand	1/1 2019
Operating lease commitments as disclosed in note 28 in the Annual Report 2018 (IAS 17)	48,556
Discounted using the incremental borrowing rate January 1, 2019	(4,006)
Short term leases, recognized on a straight line basis as an expense	(404)
Consumption expenditures included in the operating lease commitments in the Annual Report 2018	(6,884)
Included lease option terms with a highly probable extension	45,605
<b>Lease liabilities recognized January 1, 2019 (IFRS 16)</b>	<b>82,867</b>

**Rigth-of-use assets**

DKK thousand	Rent facility	Car leasing	Equipment	Total
Impact from applying IFRS 16 as of January 1, 2019	80,470	1,736	661	82,867
Additions	-	861	-	861
Modifications	(11,088)	-	-	(11,088)
Depreciations	(3,212)	(353)	(78)	(3,643)
Exchange rate adjustments	239	-	-	239
<b>Right-of-use assets as of March 31, 2019</b>	<b>66,409</b>	<b>2,244</b>	<b>583</b>	<b>69,236</b>

**Lease liabilities**

DKK thousand	31/3 2019
Non-current	55,125
Current	14,312
<b>Lease liabilities</b>	<b>69,437</b>

**Amounts included in the income statement**

DKK thousand	1/1 - 31/3 2019
Interest expense leases	498
Depreciation recognized on right-of-use assets	3,643
Cost recognized for short term leases (less than 12 months)	95

In first quarter of 2019 the total cash outflow relating to lease was DKKt 3,951, split between interests of DKKt 498 and repayment of DKK 3,453.

## 15. Transferred financial assets that are not derecognized

In 2018 the Company entered into transactions that transferred ownership of securities to a counterparty, while the Company retained the risks associated with the holding of the securities (repo transactions). All transactions were settled in January 2019. As the Company retained all risks, the securities remained in the balance sheet, and the transactions were accounted for as loans received against collateral (securities lending). The transactions involved selling the securities to be repurchased at a fixed price at a later date. Counterparties were entitled to sell the securities or deposit them as collateral for loans.

DKK thousand	31/3 2019	31/3 2018	31/12 2018
Carrying amount of transferred securities	-	111,146	246,432
Carrying amount of associated liabilities (repo transactions)	-	(110,891)	(246,729)
<b>Net position</b>	<b>-</b>	<b>255</b>	<b>(297)</b>

## 16. Financial instruments

### Method and assumption to determine fair value

The Group has financial instruments measured at fair value at level 1 and level 2.

#### Securities (level 1)

The portfolio of publicly traded government bonds and publicly traded mortgage 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.

#### Fair value hierarchy for financial instruments measured at fair value

As of March 31, 2019

DKK thousand	Level 1	Level 2	Total
Securities	1,787,542	-	1,787,542
<b>Financial assets measured at fair value through the income statement</b>	<b>1,787,542</b>	<b>-</b>	<b>1,787,542</b>
Derivative financial instruments to hedge future cash flow (interest)	-	(4,045)	(4,045)
<b>Financial assets/liabilities used as hedging instruments</b>	<b>-</b>	<b>(4,045)</b>	<b>(4,045)</b>
Liability relating to phantom shares	-	(476)	(476)
<b>Financial liabilities measured at fair value through the income statement</b>	<b>-</b>	<b>(476)</b>	<b>(476)</b>

As of December 31, 2018

DKK thousand	Level 1	Level 2	Total
Securities	1,804,124	-	1,804,124
Transferred securities that are not derecognized	246,432	-	246,432
<b>Financial assets measured at fair value through the income statement</b>	<b>2,050,556</b>	<b>-</b>	<b>2,050,556</b>
Derivative financial instruments to hedge future cash flow (interest)	-	(357)	(357)
<b>Financial assets/liabilities used as hedging instruments</b>	<b>-</b>	<b>(357)</b>	<b>(357)</b>
Derivative financial instruments at fair value (repo transactions)	-	(31)	(31)
Liability relating to phantom shares	-	(275)	(275)
<b>Financial liabilities measured at fair value through the income statement</b>	<b>-</b>	<b>(306)</b>	<b>(306)</b>

**17. Incentive plans****Outstanding warrants as of March 31, 2019**

	<b>Outstanding as of January 1</b>	<b>Addition during the period</b>	<b>Options exercised</b>	<b>Annulled</b>	<b>Terminated</b>	<b>Trans- ferred</b>	<b>Outstanding as of March 31</b>
Corporate Management	262,590	-	-	-	-	-	262,590
Other Executive Management	221,172	-	-	-	-	-	221,172
Other employees	1,065,467	-	-	(7,636)	-	-	1,057,831
Resigned employees	288,442	-	-	-	-	-	288,442
<b>Total</b>	<b>1,837,671</b>	<b>-</b>	<b>-</b>	<b>(7,636)</b>	<b>-</b>	<b>-</b>	<b>1,830,035</b>
<b>Weighted average exercise price</b>	<b>248</b>	<b>-</b>	<b>-</b>	<b>259</b>	<b>-</b>	<b>-</b>	<b>248</b>
<b>Weighted average share price at exercise</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Numbers of warrants which can be exercised as of March 31, 2019							542,430
at a weighted average exercise price of DKK							260

The total recognized cost of the warrant programs was DKK 7.7 million in the first three months of 2019 (DKK 7.2 million).

**Specification of parameters for Black-Scholes model**

DKK	Aug 2014	Dec 2015	Dec 2016	Jul 2017	Nov 2017	Nov 2018
Average share price	117.50	334.00	222.50	383.50	259.50	159.00
Average exercise price at grant	131.40	366.85	260.20	430.45	303.03	179.60
Expected volatility rate	39.7%	53.8%	44.6%	44.1%	52.4%	53.3%
Expected life (years)	3.3	3.3	3.0	3.0	3.0	3.0
Expected dividend per share	-	-	-	-	-	-
Risk-free interest rate p.a.	0.63%	0.25%	-0.48%	-0.46%	-0.55%	-0.43%
Fair value at grant 1)	29	115	54	98	80	52

The expected volatility is based on the historical volatility.

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

**18. Significant changes in contingent liabilities and other contractual obligations**

No significant changes in contingent liabilities and other contractual obligations have occurred since December 31, 2018. The Company is still in dialogue with the Danish tax authority ("Skattestyrelsen") concerning the Danish tax audit regarding allocation of the PROSTVAC development costs between Bavarian Nordic A/S and its U.S. subsidiary, Bavarian Nordic, Inc. for the income years 2012-2016.

**19. Significant events after the balance sheet date**

There have been no significant events between March 31, 2019 and the date of approval of the Interim Results for the first three months of 2019.

**20. Approval of the unaudited condensed consolidated interim financial statements**

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors and Corporate Management and authorized for issue on May 22, 2019.

## STATEMENT FROM THE BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

The Board of Directors and Corporate Management have, today reviewed and approved the Bavarian Nordic A/S interim report for the period January 1 to March 31, 2019.

The interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies, including those of Nasdaq Copenhagen.

In our opinion, the interim report gives a true and fair view of the group’s assets and liabilities and financial position as of March 31, 2019, and the results of the group’s activities and cash flows for the period January 1 to March 31, 2019.

In our opinion, the management’s review provides a true and fair description of the development in the group’s activities and financial affairs, the results for the period and the group’s financial position as a whole as well as a description of the most important risks and uncertainty factors faced by the group.

Kvistgaard, May 22, 2019

### Corporate Management:

Paul John Chaplin  
President and CEO

### Board of Directors:

Gerard W.M. van Odijk  
*Chairman of the Board*

Anders Gersel Pedersen  
*Deputy Chairman*

Erik Gregers Hansen

Peter H. Kürstein-Jensen

Frank A.G.M. Verwiel

Elizabeth McKee Anderson

Anne Louise Eberhard