

Bavarian Nordic Announces Interim Results for the First Nine Months of 2019

- On track to meet 2019 full year guidance; expects to become profitable on EBITDA in 2020
- RSV Phase 3 study design now confirmed with FDA; study will initiate in 2021
- Updates to financial calendar

COPENHAGEN, Denmark, November 7, 2019 - Bavarian Nordic A/S (OMX: BAVA, OTC: BVNRY) announced today its interim financial results in line with guidance for the first nine months of 2019 and business progress for the third quarter of 2019.

Paul Chaplin, President & Chief Executive Officer of Bavarian Nordic said: “We set out the year with a clear ambition and strategy to expand our commercial footprint, and with the recently announced acquisition of two commercial vaccines from GlaxoSmithKline (GSK), we turn to the next chapter for Bavarian Nordic to become an independent vaccine company with sustainable profitability. The company is fully focused on the integration of manufacturing of the two new vaccines and establishing the commercial operations to make this a great success. We will move ahead with our planned Phase 3 trial for RSV in 2021 that allows sufficient time to establish an improved commercial scale production and formulation to meet the demands of this blockbuster indication. The recent approval of JYNNEOS™ was also a tremendous milestone for the Company, offering exciting new business opportunities beyond our long-term partnership with the U.S. government to supply the national stockpile and offering clear synergies with the two acquired commercial vaccines.”

TRANSFORMATIVE ACQUISITION OF TWO COMMERCIAL VACCINES FROM GLAXOSMITHKLINE

Announced on October 21, the acquisition of Rabipur®/RabAvert® and Encepur® from GlaxoSmithKline (GSK) is a transformative transaction that will establish a leading infectious disease franchise and make Bavarian Nordic an independent and profitable vaccine company. Specifically, the transition:

- Accelerates our vision by 3 years to become a leading and profitable vaccine company
- Exploits significant manufacturing synergies between highly complementary technologies and builds on our expertise
- Ensures strong cash flow generation, allowing us to continue progressing our promising innovative pipeline

Full details on the acquisition were published in [company announcement no. 19/2019](#).

Closing of the acquisition is expected by December 31, 2019, conditional on antitrust approval as well as on approval of the rights issue by the Company’s shareholders. To resolve on the rights issue, an extraordinary general meeting has been convened on November 27, 2019. Details are available at www.bavarian-nordic.com/egm.

OPERATIONAL HIGHLIGHTS

Delivering our strategy

We set out for the year with a 5-year vision and four strategic imperatives that collectively build on our heritage in vaccine development and manufacturing, aiming to secure and reinforce a sustainable foundation, while also expanding the commercial opportunities. With the acquisition of two commercial vaccines from GSK, the recent approval of JYNNEOS™ and the advancement of several clinical programs during the year, we are on track to accomplish these targets:

- 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

- In September, the U.S. Food and Drug Administration (FDA) approved JYNNEOS™ (MVA-BN) for protection against smallpox and monkeypox. The approval was the result of our successful, fifteen-year partnership with the U.S. government to develop a non-replicating smallpox vaccine, suitable for the entire population, presenting significant opportunities for our future business with the U.S. government beyond emergency stockpiling.
- As expected, we were awarded a Priority Review Voucher along with the approval.

- The additional indication for **monkeypox** provides new commercial opportunities to be exploited in the coming years as we expand the commercial infrastructure to accommodate sales and distribution of the vaccines acquired from GSK.
- A Phase 3 lot-consistency trial, fully funded by BARDA, of the **freeze-dried** formulation of MVA-BN is ongoing. A prior Phase 2 study showed bioequivalence between the freeze-dried and liquid-frozen formulations of MVA-BN, and the lot-consistency trial was agreed with the FDA as the only Phase 3 study required to support licensure of the freeze-dried formulation, which is anticipated in 2022.
- We are on track with the **production** of bulk vaccine for the current order for freeze-dried MVA-BN from the U.S. Government with the majority of the batches being invoiced in the fourth quarter of 2019 adding up to a total of USD 50 million included in our guided 2019 revenues.

Infectious diseases

- The design of the Phase 3 efficacy trial, for our highly promising **RSV vaccine candidate** for the elderly (≥ 60 years old), has been finalized with the FDA. The randomized, placebo-controlled trial has an adaptive design and will enroll a total of 12,000 to 14,000 subjects over two seasons. The total number of subjects will depend on the independent analysis performed from the first 6,000 subjects enrolled for the first season. The estimated costs to determine futility after the season one will be USD 40 million and if positive, the second season will cost an additional USD 50-70 million, although after passing the first season threshold there would be approximately a 75% chance of successfully reaching the efficacy endpoint of the trial. The trial is planned to be initiated in 2021 prior to the RSV season, with the initial read out in 2022 and a potential approval in 2024.
- In October, we initiated a Phase 1 clinical trial of MVA-BN® WEV, a trivalent prophylactic vaccine against three strains of the **equine encephalitis virus: Western, Eastern** (also referred to as triple E) and **Venezuelan**. The current program is funded by the U.S. Department of Defense. Equine encephalitis virus is an alpha virus that is spread by mosquitos from infected birds to horses and people that can result in the rare condition of encephalitis in about 5% of the people that become infected. Since October, 31 cases, including 9 deaths have been reported by the US CDC in what is the largest ever recorded outbreak of triple E. Successful Phase 1 results could lead to additional funding of clinical development towards licensure of this important emerging infectious disease.
- Our **Janssen** partnership provides an opportunity to explore and commercialize our MVA-BN® platform in three infectious disease indications; HPV, HIV and HBV. A Phase 1/2a trial of the **therapeutic HPV vaccine** was initiated earlier this year and the first clinical trial of the therapeutic HIV vaccine is anticipated to begin in 2020. Collectively, these programs, along with our Ebola collaboration, represent USD 1 billion in potential future milestone payments, in addition to royalties on future sales.
- **Ebola** continues to rage in the Democratic Republic of Congo, and Janssen recently announced the donation of up to 500,000 doses of the Ad26.ZEBOV/MVA-BN Filo vaccine regimen, which will be introduced to help counter the outbreak. Neighboring countries like Rwanda and Uganda have also expressed their intent to use the vaccine as Ebola cases have been reported around the border. In Uganda, a large trial of the vaccine was initiated in healthcare workers in August. The vaccine regimen has to-date been evaluated in more than 6,500 individuals in Phase 1, 2 and 3 clinical studies, and Janssen is planning to submit a Marketing Authorization Application to the European Medicines Agency this year.

Cancer immunotherapy

- In October, we updated on the development of **CV301**, and the study in bladder cancer, which did not meet the efficacy threshold to expanded enrollment for the second stage. While we continue to follow and support two ongoing, investigator-sponsored Phase 2 trials evaluating CV301 in combination with checkpoint inhibitors in colorectal and pancreatic cancer, the Company's focus moves to BN-Brachyury and the intravenous and intra-tumoral applications.
- **BN-Brachyury** is currently being evaluated in a Phase 2 trial in patients with advanced chordoma. This trial, which also uses a two-stage design, indicated clinical activity in the first stage, allowing for expansion of enrollment, which was recently completed. Conclusive data from this study are expected within 12 months.
- A planned Phase 1 dose escalation study at the National Cancer Institute (NCI) investigating the safety of MVA-BN Brachyury administered intravenously into patients with brachyury positive tumors will initiate shortly.

Commercial manufacturing

- 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 the peak investment year with approximately DKK 270 million in total investments.
- The addition of a large-scale fill and finish line to our existing bulk production will significantly expand our **manufacturing capabilities**, allowing for integration of the products from GSK, while also enabling us to continuously support our partnerships, including fulfilling our smallpox vaccine contract with the U.S. government.
- To support simultaneous manufacturing of multiple products, we will invest in a new, independent clean room suite at our existing facility to be initiated in 2020.

FINANCIALS AND OUTLOOK

Financial results for the first nine months in line with expectations

- Revenue generated for the nine months ending September 30, 2019 was DKK 372 million/USD 54 million (DKK 319 million/USD 47 million in the first nine months of 2018).
- The income before interest and tax (EBIT) was a loss of DKK 298 million/USD 43 million (loss of DKK 261 million/USD 38 million in the first nine months of 2018).
- As of September 30, 2019, the Group's cash preparedness was DKK 1,740 million/USD 254 million (DKK 2,314 million/USD 337 million as of December 31, 2018), including unutilized credit lines of DKK 244 million/USD 36 million (DKK 244 million/USD 36 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 6.86 per 1.00 USD, which was the exchange rate as of September 30, 2019.

Outlook for 2019 maintained

The majority of our 2019 revenues are related to the production and release of bulk smallpox vaccine for the U.S. Government, most of which will occur in the fourth quarter of 2019. Hence, 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 and a loss before interest and tax (EBIT) of approximately DKK 360 million/USD 55 million. The expected cash preparedness at year-end was revised in October from approximately DKK 1,600 million/USD 246 million to approximately DKK 1,000 million/USD 154 million as a result of the announced acquisition of two vaccines from GlaxoSmithKline.

A detailed guidance for 2020 will be provided in connection with the publication of the Company's annual report for 2019. However, pending a successful closing of the transaction with GSK, the Company is able to confirm that it will be profitable on an EBITDA basis already in 2020, exclusive of the sale of the Priority Review Voucher, which was awarded the Company by FDA upon the approval of JYNNEOS™ in September.

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.

Financial calendar 2019/2020

The date for announcement of the 2019 annual report has been changed to February 20, 2020.

November 27, 2019	Extraordinary General Meeting *
February 20, 2020	2019 Annual Report
April 21, 2020	Annual General Meeting **
May 14, 2020	First quarterly report (Q1) for the three-month period ended March 31, 2020
August 26, 2020	Half-year report (Q2) for the six-month period ended 30 June 2020
November 11, 2020	Third quarterly report (Q3) for the nine-month period ended 30 September 2020

* An extraordinary general meeting has been convened to seek shareholder approval to increase the Company's share capital through a planned rights issue in the first half of 2020 with pre-emptive rights for the existing shareholders in order to obtain financing of costs associated with the acquisition of Rabipur/RabAvert and Encepur. See www.bavarian-nordic.com/egm for additional information.

** Pursuant to Article 12 of the Articles of Association, shareholders who wish to submit a request for proposals for consideration at the annual general meeting must lodge this with the Company no later than Wednesday, March 11, 2020.

OTHER DEVELOPMENTS

Incentive programs for employees and executive management in Bavarian Nordic

The board of directors has today decided to issue warrants to executive management and certain employees in the Bavarian Nordic Group. The decision is made in accordance with the shareholder authorization for the board of directors adopted as Article 5b of the Articles of Association and the Company's guidelines regarding incentive programs.

The warrant program entails the issuance of 564,585 warrants in total which entitle the warrant holders to subscribe for up to 564,585 shares in total with a nominal value of DKK 10 each at an exercise price of DKK 185.4 per share. The warrants may be exercised wholly or partly during eight fixed subscription periods during 2023 and 2024.

The value of each warrant equals DKK 45.5 and is calculated on the Black-Scholes model with a risk-free interest rate of -0.69 per cent and on the historical volatility of the shares. The calculation is based on a share price of DKK 154.05.

Furthermore, the Company introduces a three-year incentive program in January 2020 for all employees in the Bavarian Nordic Group, with the exception of employees receiving warrants. The program is a cash bonus program based on the development in the Company's share price. The incentive program will not have a dilutive effect on the shareholders.

Each employee participating in the program is awarded so-called phantom shares every month of employment until 31 December 2022. The exercise price is DKK 185.4. The phantom shares may be exercised in January 2023, only if the Company's share price by then exceeds the exercise price by at least DKK 5. In that case, each phantom share will yield a cash bonus equivalent to DKK 1 per point the share price exceeds the exercise price.

Based on the current number of employees in the Group eligible for participating in the program, the program will comprise up to 72,288 phantom shares. The average value of each phantom share granted equals DKK 27.7 calculated on the basis of the Black-Scholes model with a risk-free interest rate of -0.69 per cent and on the historical volatility of the shares. The calculation is based on a share price of DKK 154.05.

Conference call and webcast

The management of Bavarian Nordic will host a conference call today at 2 pm CET (8 am ET) 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=5505>. 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 8772778.

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Company Announcement no. 21 / 2019

About Bavarian Nordic

Bavarian Nordic is a fully integrated biotechnology company focused on the development of innovative therapies against infectious diseases and cancer. Using our live virus vaccine platform technology, MVA-BN[®], we have created a diverse portfolio of proprietary and partnered product candidates intended to unlock the power of the immune system to improve public health with a focus on high unmet medical needs. In addition to our long-standing collaboration with the U.S. government on the development and supply of medical countermeasures, including the only FDA-approved, non-replicating smallpox vaccine, 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, 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 benefit-risk profile. For more information visit 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	1/7 - 30/9 2019	1/7 - 30/9 2018	1/1 - 30/9 2019	1/1 - 30/9 2018	1/1-31/12 2018
Income statements					
Revenue	144,099	221,731	372,295	319,365	500,617
Production costs	92,752	80,489	220,115	145,250	255,117
Research and development costs	91,214	71,888	288,344	276,621	386,299
Distribution costs	10,412	6,883	32,170	25,355	33,725
Administrative costs	46,227	43,504	129,495	133,062	179,958
Income before interest and taxes (EBIT)	(96,506)	18,967	(297,829)	(260,923)	(354,482)
Financial items, net	(1,188)	14,369	(87)	3,386	(2,153)
Income before company tax	(97,694)	33,336	(297,916)	(257,537)	(356,635)
Net profit for the period	(99,181)	31,719	(300,888)	(260,540)	(361,927)
Balance sheet					
Total non-current assets			882,142	480,586	552,680
Total current assets			1,681,076	2,622,727	2,508,256
Total assets			2,563,218	3,103,313	3,060,936
Equity			1,892,102	2,278,541	2,180,628
Non-current liabilities			444,839	398,147	397,613
Current liabilities			226,277	426,625	482,695
Cash flow statements					
Securities, cash and cash equivalents			1,495,596	2,407,478	2,317,214
Cash flow from operating activities			(268,908)	(295,185)	(288,529)
Cash flow from investment activities			353,840	98,232	17,089
- Investment in intangible assets			(1,489)	(4,718)	(10,186)
- Investment in property, plant and equipment			(297,982)	(123,472)	(201,775)
- Net investment in securities			653,323	226,554	229,206
Cash flow from financing activities			(252,403)	252,838	245,844
Financial Ratios (DKK) ¹⁾					
Earnings (basic) per share of DKK 10			(9.3)	(8.1)	(11.2)
Net asset value per share			58.5	70.5	67.5
Share price at period-end			184	169	127
Share price/Net asset value per share			3.1	2.4	1.9
Number of outstanding shares at period-end			32,321	32,311	32,311
Equity share			74%	73%	71%
Number of employees, converted to full-time, at period-end			461	425	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.

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. Warrants
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 STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2019

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

Revenue generated for the nine months ending September 30, 2019 was DKK 372 million (DKK 319 million). Revenue was composed of DKK 131 million (DKK 231 million) from the sale of MVA-BN smallpox vaccine bulk drug substance to U.S. Government and DKK 241 million (DKK 88 million) from contract work. Revenue reported for the three months ended September 30, 2019 was DKK 144 million (DKK 222 million).

Production costs totaled DKK 220 million (DKK 145 million). Costs related directly to revenue amounted to DKK 188 million (DKK 112 million). Other production costs totaled DKK 32 million (DKK 33 million). In the third quarter of 2019, production costs were DKK 93 million (DKK 80 million).

Research and development costs totaled DKK 288 million (DKK 277 million). The amount excludes R&D costs of DKK 151 million (DKK 51 million) classified as production costs.

Distribution costs totaled DKK 32 million (DKK 25 million) and administrative costs totaled DKK 129 million (DKK 133 million).

Income before interest and tax (EBIT) was a loss of DKK 298 million (loss of DKK 261 million).

Financial items totaled a net amount of DKK 0 million (net income of DKK 3 million). Net income from securities amounted to DKK 6 million (DKK 7 million) and net foreign exchange rate gains amounts to DKK 5 million (DKK 11 million), offset by interest expenses on debt of DKK 12 million (DKK 11 million). In the first nine months of 2018 there was a net loss on derivate financial instruments of DKK 4 million.

Income before company tax was a loss of DKK 298 million (loss of DKK 258 million).

Tax on income was DKK 3 million (DKK 3 million) and relates to the German subsidiary. The Danish tax loss carry forward related to the result for the first nine months of 2019 has not been recognized. The recognized deferred tax asset remains at DKK 0 million. The Company retains the right to use the tax loss carry forward (tax value DKK 358 million) and the other tax assets (tax value DKK 49 million) that has been written-down. The development in the deferred tax asset is shown in note 13.

The Danish tax authority has decided to withdraw the proposed adjustment of the allocation of the PROSTVAC development costs between Bavarian Nordic A/S and its U.S. subsidiary, Bavarian Nordic, Inc. for the income years 2012-2016. The transfer pricing tax audit for 2012-2016 has thereby been completed without any changes to taxable income.

For the first nine months of 2019, Bavarian Nordic reported a net loss of DKK 301 million (net loss of DKK 261 million).

Following the implementation of IFRS 16 "Leases" right-of-use-assets have been recognized with DKK 63 million and lease liabilities with DKK 63 million. For further disclosure see note 14.

Securities, cash and cash equivalents decreased by DKK 821 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 nine months of 2019 DKK 298 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 September 30, 2019, the Group's cash preparedness was DKK 1,740 million (DKK 2,314 million as of December 31, 2018):

DKK million	30/9 2019	30/9 2018	31/12 2018
Securities	1,391	2,062	2,050
Cash and cash equivalents	105	345	267
Securities, cash and cash equivalents	1,496	2,407	2,317
Unutilized credit facility	244	243	244
Repo transactions loan	-	(249)	(247)
Cash preparedness	1,740	2,401	2,314
European Investment Bank (bullet loan with expiry in 2022)	372	372	372

Cash flow spend on operating activities was DKK 269 million (spend of DKK 295 million), mainly driven by the net loss of DKK 301 million (net loss of DKK 261 million). Cash flow from investment activities was positive by DKK 354 million (DKK 98 million) as investments in property, plant and equipment was off-set by net disposal of securities of DKK 653 million (DKK 227 million).

Cash flow from financing activities was a spend of DKK 252 million (contribution of DKK 253 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 -167 million (DKK 56 million).

The Group's equity as of September 30, 2019 stood at DKK 1,892 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 September 30, 2019 and 2018 and December 31, 2018**

DKK thousand	Note	1/7 - 30/9 2019	1/7 - 30/9 2018	1/1 - 30/9 2019	1/1 - 30/9 2018	1/1-31/12 2018
Revenue	3	144,099	221,731	372,295	319,365	500,617
Production costs	4	92,752	80,489	220,115	145,250	255,117
Gross profit		51,347	141,242	152,180	174,115	245,500
Research and development costs	5	91,214	71,888	288,344	276,621	386,299
Distribution costs		10,412	6,883	32,170	25,355	33,725
Administrative costs		46,227	43,504	129,495	133,062	179,958
Total operating costs		147,853	122,275	450,009	435,038	599,982
Income before interest and tax (EBIT)		(96,506)	18,967	(297,829)	(260,923)	(354,482)
Financial income	6	9,187	21,875	18,660	28,079	34,973
Financial expenses	7	10,375	7,506	18,747	24,693	37,126
Income before company tax		(97,694)	33,336	(297,916)	(257,537)	(356,635)
Tax on income for the period		1,487	1,617	2,972	3,003	5,292
Net profit for the period		(99,181)	31,719	(300,888)	(260,540)	(361,927)
Earnings per share (EPS) - DKK						
Basic earnings per share of DKK 10		(3.1)	1.0	(9.3)	(8.1)	(11.2)
Diluted earnings per share of DKK 10		(3.1)	1.0	(9.3)	(8.1)	(11.2)

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Periods Ended September 30, 2019 and 2018 and December 31, 2018

DKK thousand	1/7 - 30/9 2019	1/7 - 30/9 2018	1/1 - 30/9 2019	1/1 - 30/9 2018	1/1-31/12 2018
Net profit for the period	(99,181)	31,719	(300,888)	(260,540)	(361,927)
Items that might be reclassified to the income statement:					
Exchange rate adjustments on translating foreign operations	(407)	(12,120)	(250)	8	93
Fair value of financial instruments entered into to hedge future cash flows	(8,916)	583	(12,238)	472	(228)
Other comprehensive income after tax	(9,323)	(11,537)	(12,488)	480	(135)
Total comprehensive income	(108,504)	20,182	(313,376)	(260,060)	(362,062)

Unaudited Condensed Consolidated Statements of Financial Position - Assets as of September 30, 2019 and 2018 and December 31, 2018

DKK thousand	Note	30/9 2019	30/9 2018	31/12 2018
Assets				
Software		25,006	24,472	32,381
Intangible assets in progress		1,194	5,787	119
Intangible assets		26,200	30,259	32,500
Land and buildings		166,601	183,238	179,442
Leasehold improvements		875	1,133	1,047
Plant and machinery		46,754	55,551	54,311
Fixtures and fittings, other plant and equipment		21,846	20,676	21,894
Assets under construction		555,909	188,381	262,114
Property, plant and equipment		791,985	448,979	518,808
Right-of-use assets	14	62,573	-	-
Other receivables		1,384	1,348	1,372
Financial assets		1,384	1,348	1,372
Deferred tax assets	13	-	-	-
Total non-current assets		882,142	480,586	552,680
Development projects for sale		22,200	22,200	22,200
Inventories	8	78,419	130,927	78,688
Trade receivables		42,088	21,668	31,227
Tax receivables		-	5,396	-
Other receivables	9	30,960	22,759	21,345
Prepayments		11,813	12,299	37,582
Receivables		84,861	62,122	90,154
Securities	15	1,391,041	2,061,826	2,050,556
Cash and cash equivalents		104,555	345,652	266,658
Securities, cash and cash equivalents		1,495,596	2,407,478	2,317,214
Total current assets		1,681,076	2,622,727	2,508,256
Total assets		2,563,218	3,103,313	3,060,936

Unaudited Condensed Consolidated Statements of Financial Position - Equity and Liabilities as of September 30, 2019 and 2018 and December 31, 2018

DKK thousand	Note	30/9 2019	30/9 2018	31/12 2018
Equity and liabilities				
Share capital		323,891	323,106	323,106
Treasury shares		(684)	(233)	(507)
Retained earnings		1,508,054	1,902,359	1,797,122
Other reserves		60,841	53,309	60,907
Equity		1,892,102	2,278,541	2,180,628
Debt to credit institutions	10	395,998	398,147	397,613
Lease liabilities	14	48,841	-	-
Non-current liabilities		444,839	398,147	397,613
Debt to credit institutions	10	2,148	251,213	248,877
Lease liabilities	14	14,363	-	-
Prepayment from customers	11	8,314	57,231	41,818
Trade payables		116,951	37,048	93,962
Company tax		449	904	1,108
Other liabilities	12	84,052	80,229	96,930
Current liabilities		226,277	426,625	482,695
Total liabilities		671,116	824,772	880,308
Total equity and liabilities		2,563,218	3,103,313	3,060,936

Unaudited Condensed Consolidated Statements of Cash Flow for the Periods Ended September 30, 2019 and 2018 and December 31, 2018

DKK thousand	1/1 - 30/9 2019	1/1 - 30/9 2018	1/1-31/12 2018
Net profit for the period	(300,888)	(260,540)	(361,927)
Adjustment for non-cash items:			
Financial income	(18,660)	(28,079)	(34,973)
Financial expenses	18,747	24,693	37,126
Tax on income for the period	2,972	3,003	5,292
Depreciation, amortization and impairment losses	42,904	29,918	41,639
Share-based payment	20,320	26,209	33,913
Changes in inventories	269	(19,080)	33,159
Changes in receivables	16,058	(9,152)	(39,990)
Changes in current liabilities	(52,042)	(69,119)	(10,973)
Cash flow from operations (operating activities)	(270,320)	(302,147)	(296,734)
Received financial income	18,464	22,636	27,662
Paid financial expenses	(13,304)	(13,896)	(15,642)
Paid company taxes	(3,748)	(1,778)	(3,815)
Cash flow from operating activities	(268,908)	(295,185)	(288,529)
Investments in and additions to intangible assets	(1,489)	(4,718)	(10,186)
Investments in property, plant and equipment	(297,982)	(123,472)	(201,775)
Investments in/disposal of financial assets	(12)	(132)	(156)
Investments in securities	(1,128,303)	(840,764)	(1,228,709)
Disposal of securities	1,781,626	1,067,318	1,457,915
Cash flow from investment activities	353,840	98,232	17,089
Payment on loans	(248,344)	(1,614)	(2,151)
Proceeds from loans	-	249,062	246,729
Repayment of lease liabilities	(9,737)	-	-
Proceeds from warrant programs exercised	10,315	5,415	5,415
Cost related to issue of new shares	(61)	(25)	(25)
Purchase of treasury shares	(4,576)	-	(4,124)
Cash flow from financing activities	(252,403)	252,838	245,844
Cash flow of the period	(167,471)	55,885	(25,596)
Cash as of 1 January	266,658	282,521	282,521
Currency adjustments 1 January	5,368	7,246	9,733
Cash end of period	104,555	345,652	266,658

Unaudited Condensed Consolidated Statements of Changes in Equity for the Periods September 30, 2019 and 2018

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity
Equity as of January 1, 2019	323,106	(507)	1,797,122	(37,409)	(357)	98,673	2,180,628
Comprehensive income for the period							
Net profit	-	-	(300,888)	-	-	-	(300,888)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	(250)	-	-	(250)
Fair value of financial instruments	-	-	-	-	(12,238)	-	(12,238)
Total comprehensive income for the period	-	-	(300,888)	(250)	(12,238)	-	(313,376)
Transactions with owners							
Share-based payment	-	-	-	-	-	19,172	19,172
Warrant program exercised	785	-	11,814	-	-	(2,284)	10,315
Warrant program expired	-	-	1,455	-	-	(1,455)	-
Cost related to issue of new shares	-	-	(61)	-	-	-	(61)
Purchase of treasury shares	-	(288)	(4,288)	-	-	-	(4,576)
Total transactions with owners	785	(288)	8,920	-	-	15,433	24,850
Equity as of September 30, 2019	323,891	(795)	1,505,154	(37,659)	(12,595)	114,106	1,892,102

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, 2018	322,451	(233)	2,156,883	(37,502)	(129)	64,827	2,506,297
Comprehensive income for the period							
Net profit	-	-	(260,540)	-	-	-	(260,540)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	8	-	-	8
Fair value of financial instruments	-	-	-	-	472	-	472
Total comprehensive income for the period	-	-	(260,540)	8	472	-	(260,060)
Transactions with owners							
Share-based payment	-	-	-	-	-	26,914	26,914
Warrant program exercised	655	-	5,945	-	-	(1,185)	5,415
Warrant program expired	-	-	96	-	-	(96)	-
Cost related to issue of new shares	-	-	(25)	-	-	-	(25)
Total transactions with owners	655	-	6,016	-	-	25,633	32,304
Equity as of September 30, 2018	323,106	(233)	1,902,359	(37,494)	343	90,460	2,278,541

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 nine months of 2019, the income before interest and tax (EBIT) for the period would have been a loss of DKK 299 million, an increase of DKK 1 million in loss compared to the actual numbers for the first nine months 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 7 million whereas the cash outflow from financing activities has been negatively impacted by DKK 7 million.

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

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	1/7 - 30/9 2019	1/7 - 30/9 2018	1/1 - 30/9 2019	1/1 - 30/9 2018	1/1-31/12 2018
3. Revenue					
MVA-BN smallpox vaccine sale	81,540	193,987	130,499	230,912	360,523
Other product sale	270	-	270	-	-
Sale of goods	81,810	193,987	130,769	230,912	360,523
Contract work	62,289	27,744	241,526	88,453	140,094
Sale of services	62,289	27,744	241,526	88,453	140,094
Revenue	144,099	221,731	372,295	319,365	500,617
Total revenue includes: Fair value adjustment concerning financial instruments entered into to hedge revenue	(2,168)	3,207	(2,168)	3,207	907
4. Production costs					
Cost of goods sold, MVA-BN smallpox vaccine	24,474	53,312	36,729	60,731	94,557
Contract costs	42,942	12,121	151,331	51,142	74,269
Other production costs	25,336	15,056	32,055	33,377	86,291
Production costs	92,752	80,489	220,115	145,250	255,117
5. Research and development costs					
Research and development costs occurred in the period Of which:	134,156	84,009	439,675	327,763	460,568
Contract costs recognized as production costs	(42,942)	(12,121)	(151,331)	(51,142)	(74,269)
Research and development costs	91,214	71,888	288,344	276,621	386,299
6. Financial income					
Financial income from bank and deposit contracts	63	256	585	591	842
Interest income from financial assets not measured at fair value through the income statement	63	256	585	591	842
Financial income from securities	3,863	5,842	12,958	16,529	21,765
Net gains on derivative financial instruments at fair value through the income statement	396	-	380	-	-
Net foreign exchange gains	4,865	15,777	4,737	10,959	12,366
Financial income	9,187	21,875	18,660	28,079	34,973
7. Financial expenses					
Interest expenses on debt	3,986	3,505	12,050	10,559	14,531
Interest expenses on financial liabilities not measured at fair value through the income statement	3,986	3,505	12,050	10,559	14,531
Fair value adjustments on securities	6,389	1,601	6,697	9,909	18,667
Net loss on derivative financial instruments at fair value through the income statement	-	2,400	-	4,225	3,928
Financial expenses	10,375	7,506	18,747	24,693	37,126

DKK thousand	30/9 2019	30/9 2018	31/12 2018
8. Inventories			
Raw materials and supply materials	38,286	34,289	28,391
Work in progress	132,024	163,275	156,232
Manufactured goods and commodities	1,750	1,775	1,757
Write-down on inventory	(93,641)	(68,412)	(107,692)
Inventories	78,419	130,927	78,688
Write-down on inventory 1 January	(107,692)	(52,705)	(52,705)
Write-down during the period	(3,939)	(15,707)	(54,987)
Use of write-down	4,236	-	-
Reversal of write-down	13,754	-	-
Write-down end of period	(93,641)	(68,412)	(107,692)
9. Other receivables			
Receivable VAT and duties	25,204	11,327	10,669
Financial instruments at fair value	-	1,216	-
Accrued interest	5,756	10,216	10,676
Other receivables	30,960	22,759	21,345
10. Debt to credit institutions			
Mortgage	25,951	28,103	27,566
European Investment Bank (loan in DKK)	372,195	372,195	372,195
Security lending (repo transactions)	-	249,062	246,729
Debt to credit institutions	398,146	649,360	646,490
11. Prepayment from customers			
Prepayments from customers as of January 1	41,818	79,617	79,617
Prepayments received during the period	36,066	14,520	29,075
Recognized as income during the period	(69,570)	(36,906)	(66,874)
Prepayments from customers end of period	8,314	57,231	41,818
12. Other liabilities			
Financial instruments at fair value	12,595	263	388
Liability relating to phantom shares	1,422	729	275
Payable salaries, holiday accrual etc.	54,702	55,263	58,403
Deposit and prepaid rent from sub-tenants	-	1,790	1,379
Other accrued costs	15,333	22,184	36,485
Other liabilities	84,052	80,229	96,930

13. Deferred tax asset

DKK thousand	January 1, 2019	Recognized in the income statement	Recognized in equity	September 30, 2019
Intangible assets	3,703	(1,247)	-	2,456
Property, plant and equipment	15,515	5,057	-	20,572
Development projects for sale	17,420	-	-	17,420
Accrued project costs	(7,335)	5,931	-	(1,404)
Financial instruments	78	-	2,692	2,770
Share-based payment	4,154	3,121	-	7,275
Tax losses carried forward	310,359	47,193	-	357,552
Write-down	(343,894)	(60,055)	(2,692)	(406,641)
Recognized deferred tax assets	-	-	-	-

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
Lease liabilities recognized January 1, 2019 (IFRS 16)	82,867

Righth-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	-	622	-	622
Modifications	(11,442)	140	-	(11,302)
Depreciations	(9,041)	(1,045)	(235)	(10,321)
Exchange rate adjustments	707	-	-	707
Right-of-use assets as of September 30, 2019	60,694	1,453	426	62,573

Lease liabilities

DKK thousand	30/9 2019
Non-current	48,841
Current	14,363
Lease liabilities	63,204

Amounts included in the income statement

DKK thousand	1/1 - 30/9 2019
Interest expense leases	1,360
Depreciation recognized on right-of-use assets	10,321
Cost recognized for short term leases (less than 12 months)	385

In first nine months of 2019 the total cash outflow relating to lease was DKKt 11,097 split between interests of DKKt 1,360 and repayment of DKKt 9,737.

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). 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. All transactions were settled in January 2019.

DKK thousand	30/9 2019	30/9 2018	31/12 2018
Carrying amount of transferred securities	-	248,874	246,432
Carrying amount of associated liabilities (repo transactions)	-	(249,062)	(246,729)
Net position	-	(188)	(297)

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 September 30, 2019

DKK thousand	Level 1	Level 2	Total
Securities	1,391,041	-	1,391,041
Financial assets measured at fair value through the income statement	1,391,041	-	1,391,041
Derivative financial instruments to hedge future cash flow (interest)	-	(12,595)	(12,595)
Financial assets/liabilities used as hedging instruments	-	(12,595)	(12,595)
Liability relating to phantom shares	-	(1,422)	(1,422)
Financial liabilities measured at fair value through the income statement	-	(1,422)	(1,422)

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
Financial assets measured at fair value through the income statement	2,050,556	-	2,050,556
Derivative financial instruments to hedge future cash flow (interest)	-	(357)	(357)
Financial assets/liabilities used as hedging instruments	-	(357)	(357)
Derivative financial instruments at fair value (repo transactions)	-	(31)	(31)
Liability relating to phantom shares	-	(275)	(275)
Financial liabilities measured at fair value through the income statement	-	(306)	(306)

17. Warrants

Outstanding warrants as of September 30, 2019

	Outstanding as of January 1	Addition during the period	Warrants exercised	Annulled	Terminated	Trans- ferred	Outstanding as of September 30
Corporate Management	262,590	-	-	-	-	-	262,590
Other Executive Management	221,172	-	-	-	-	-	221,172
Other employees	1,065,467	-	(18,500)	(129,163)	-	-	917,804
Resigned employees	288,442	-	(60,000)	-	(50,000)	-	178,442
Total	1,837,671	-	(78,500)	(129,163)	(50,000)	-	1,580,008
Weighted average exercise price	248	-	131	242	131	-	258
Weighted average share price at exercise	-	-	-	-	-	-	-
Numbers of warrants which can be exercised as of September 30, 2019 at a weighted average exercise price of DKK							413,930 299

The total recognized cost of the warrant programs was DKK 15.3 million in the first nine months of 2019 (DKK 23.3 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 Danish tax authority has decided to withdraw the proposed adjustment of the allocation of the PROSTVAC development costs between Bavarian Nordic A/S and its U.S. subsidiary, Bavarian Nordic, Inc. for the income years 2012-2016. The transfer pricing tax audit for 2012-2016 has thereby been completed without any changes to taxable income.

19. Significant events after the balance sheet date

On October 8, 2019 the Company announced the initiation of the first-in-human trial of MVA-BN® WEV, a prophylactic vaccine candidate against the equine encephalitis virus, which is being developed under a multi-year agreement with the United States Department of Defense (DOD).

On October 18, 2019 the Company announced that the Phase 2 study evaluating the combination therapy of its cancer immunotherapy, CV301, and Roche's checkpoint inhibitor, atezolizumab (TECENTRIQ®) in bladder cancer, did not meet the efficacy threshold to progress into stage 2 with expanded enrollment.

On October 21, 2019 the Company announced an agreement to acquire the manufacturing and global rights to Rabipur®/RabAvert® and Encepur® from GlaxoSmithKline plc (GSK). The acquisition is subject to antitrust approval as well as approval from the Company's shareholders in order to resolve on a rights issue to raise new capital for an upfront payment to GSK.

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 November 7, 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 September 30, 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 September 30, 2019, and the results of the group’s activities and cash flows for the period January 1 to September 30, 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, November 7, 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