

## Bavarian Nordic offentliggør delårsregnskab for de første ni måneder af 2019

- Fastholder forventningerne til helårsresultatet for 2019; forventer at være EBITDA profitabel i 2020
- Udformningen af fase 3 forsøget for RSV er nu på plads med FDA; forsøget påbegyndes i 2021
- Finanskalenderen er opdateret

**KØBENHAVN, Danmark, 7. november 2019** - Bavarian Nordic A/S (OMX: BAVA) offentliggjorde i dag regnskab for de første ni måneder af 2019 i overensstemmelse med selskabets forventninger, samt rapporterede på begivenheder for tredje kvartal 2019.

**Administrerende direktør i Bavarian Nordic, Paul Chaplin udtaler:** "Vi indledte året med klare ambitioner og en strategi om at udbygge den kommercielle del af forretningen, og med det nyligt offentliggjorte køb af to kommercielle vacciner fra GlaxoSmithKline (GSK) indleder vi et nyt kapitel for Bavarian Nordic ved at blive et uafhængigt vaccineselskab med vedvarende profitabilitet. Selskabet er fuldt fokuseret på integrationen af produktionen af de to nye vacciner samt på at etablere de kommercielle funktioner, der skal hjælpe med at gøre disse til en succes. Vi arbejder frem mod påbegyndelsen af fase 3 med RSV-vaccinen i 2021, hvilket sikrer tilstrækkeligt med tid til at etablere en forbedret produktion i kommerciel skala samt en forbedret formulering for at dække behovene inden for denne blockbustermulighed. Den nylige godkendelse af JYNNEOS™ var også en markant milepæl for selskabet, der byder på nye og spændende muligheder, der rækker ud over vores mangeårige partnerskab med den amerikanske regering om levering af vacciner til det nationale beredskab, og som desuden rummer væsentlige synergier med de to erhvervede kommercielle vacciner."

### TRANSFORMERENDE KØB AF TO KOMMERCIELLE VACCINER FRA GLAXOSMITHKLINE

Den 21. oktober offentliggjorde vi købet af Rabipur®/RabAvert® og Encepur® fra GlaxoSmithKline (GSK). Dette vil transformere selskabet og skaber en førende forretning inden for infektionssygdomme samt gør Bavarian Nordic til et uafhængigt og overskudsgivende vaccineselskab, hvilket sker via følgende:

- Fremskynder visionen med 3 år ved at blive et ledende og profitabelt vaccineselskab
- Sikrer udnyttelse af væsentlige synergier inden for produktion og bygger på ekspertise
- Solid pengestrømsfrembringelse muliggør fortsat fremdrift af innovativ og lovende pipeline

De fuldstændige detaljer om købet blev offentliggjort i [selskabsmeddelelse nr. 19/2019](#).

Transaktionen forventes endeligt gennemført senest den 31. december 2019, betinget af konkurrencemyndighedernes godkendelse samt af godkendelse af fortegningsmissionen fra selskabets aktionærer. Med henblik på godkendelse af fortegningsmissionen afholdes en ekstraordinær generalforsamling den 27. november 2019. Yderligere detaljer herom kan findes på [www.bavarian-nordic.com/egm](http://www.bavarian-nordic.com/egm).

### OPERATIONELLE HØJDEPUNKTER

#### Indfrielse af vores strategiske målsætninger

Vi indledte året med en fem-års vision, der er udmøntet i fire strategiske hovedområder, der bygger på vores mangeårige erfaring inden for udvikling og produktion af vacciner, og som er målrettet mod at sikre og fastholde et bæredygtigt grundlag, samtidigt med at de kommercielle muligheder udvides. Med købet af to kommercielle vacciner fra GSK, den nylige godkendelse af JYNNEOS™ samt de fremskridt, vi i årets løb har gjort med vores kliniske pipeline, er vi godt på vej til at opfylde disse mål:

- FASTHOLDE den globale førerposition inden for **koppevacciner**
- UDVIDE og hastigt VIDEREUDVIKLE pipelinen inden for **infektionssygdomme**
- ETABLERE en bred og stærk portefølje inden for **kræftimmunterapi**
- UDVIDE de **kommercielle muligheder og kompetencer**

## Koppevacciner

- I september modtog vi de amerikanske sundhedsmyndigheders (FDA) godkendelse af **JYNNEOS™** (MVA-BN) til beskyttelse mod kopper og abekopper. Godkendelsen er resultatet af vores succesrige, femten år lange partnerskab med den amerikanske regering om udvikling af en ikke-replikerende koppevaccine, der er egnet til vaccination af hele befolkningen. Godkendelsen åbner væsentlige muligheder for vores fremtidige forretning med den amerikanske regering ud over leverancer til beredskabslageret.
- Som ventet blev vi tildelt en priority review voucher i forbindelse med godkendelsen.
- Godkendelsen af vaccinen til også at omfatte **abekopper** skaber nye kommercielle muligheder, som vil blive udnyttet i de kommende år, i takt med at vi udvider den kommercielle infrastruktur for at kunne varetage salg og distribution af vaccinerne, der overtages fra GSK.
- Der pågår et fase 3 lot-consistency forsøg med den **frysetørrede** udgave af MVA-BN koppevaccinen. Forsøget er fuldt finansieret af BARDA. Et tidligere fase 2 forsøg viste, at den frysetørrede version og den flydende-frosne version af MVA-BN er bioækvivalente, hvorfor FDA kun har krævet ét fase 3 forsøg til at understøtte godkendelsen af den frysetørrede version, som forventes at finde sted i 2022.
- **Produktionen** af råvaccine i henhold til den igangværende kontrakt med den amerikanske regering på frysetørret MVA-BN er påbegyndt og forløber planmæssigt. Hovedparten af vaccinerne vil blive faktureret i fjerde kvartal 2019 og bidrager med i alt USD 50 mio. til den forventede omsætning for året.

## Infektionssygdomme

- Udformningen af fase 3 forsøget for vores lovende **RSV vaccinekandidat** til den ældre befolkning ( $\geq 60$  år) er nu på plads med FDA. Det randomiserede, placebokontrollerede forsøg vil i alt rekruttere 12.000 - 14.000 personer over to sæsoner. Det endelige antal afhænger af den uafhængige analyse, som vil blive foretaget af de første 6.000 personer, der rekrutteres i den første sæson. Den estimerede omkostning for den første sæson er USD 40 mio. og såfremt udfaldet er positivt, vil den følgende sæson medføre yderligere omkostninger på USD 50-70 mio. Hvis effektmålet for den første sæson opnås, vil der være ca. 75% sandsynlighed for at nå effektmålet for det samlede forsøg. Forsøget er planlagt til at begynde forud for RSV-sæsonen i 2021. De første resultater foreligger i 2022 og en potentiel godkendelse vil kunne ske i 2024.
- I oktober påbegyndte vi et fase 1 klinisk forsøg med MVA-BN® WEV, en trivalent forebyggende vaccine mod tre varianter af **hesteencephalit virus**: østlig (EEE), venezuelansk (VEE) og vestlig (WEE). Programmet er finansieret af det amerikanske forsvar. Hesteencephalit virus er en alphavirus, der spredes til heste og mennesker af myg, der er smittet via fugle. Virussen kan medføre hjernebetændelse i ca. 5% af de smittede. Siden oktober er der registreret 31 tilfælde, herunder 9 dødsfald i USA i det hidtil største udbrud af EEE. Et vellykket fase 1 forsøg vil kunne føre til yderligere finansiering af den kliniske udvikling frem mod godkendelse.
- Vores partnerskab med **Janssen** rummer mulighed for at udforske og kommercialisere vores MVA-BN® platform inden for tre infektionssygdomme; HPV, HIV og HBV. Et fase 1/2a forsøg med den terapeutiske HPV-vaccine blev påbegyndt tidligere i år, og et fase 1/2a forsøg med hiv-vaccinen ventes at begynde i 2020. Disse programmer samt vores igangværende ebolavaccineprogram med Janssen repræsenterer tilsammen potentielle fremtidige milepælsbetalinger på USD 1 mia. samt royalty-betalinger ved fremtidigt salg.
- **Ebola** fortsætter med at være i udbrud i den Demokratiske Republik Congo, og Janssen har for nylig offentliggjort en donation på op mod 500.000 doser af Ad26.ZEBOV/MVA-BN Filo ebolavaccinen, der skal indgå i tiltag for at stoppe udbruddet. Nabolandene Rwanda og Uganda har også tilkendegivet deres hensigt om at bruge vaccinen, da der er registreret smittetilfælde omkring grænsen. I Uganda blev et større forsøg med vaccination af sundhedsarbejdere påbegyndt i august. Vaccinen er til dato evalueret i mere end 6.500 personer i fase 1, 2 og 3 kliniske forsøg og Janssen planlægger at indsende en ansøgning om markedsføringstilladelse til Det Europæiske Lægemiddelagentur inden årets udgang.

## Kræftimmunterapi

- I oktober opdaterede vi på udviklingsprogrammet for **CV301**, herunder forsøget i blærekræft, der ikke opnåede det fastsatte effektmål for at kunne udvide rekrutteringen i anden del af forsøget. Vi følger og supporterer fortsat to igangværende, investigator-sponsorerede forsøg, der undersøger kombinationen af CV301 og checkpoint-hæmmere i tyktarms- og blærehalskirtelkræft, men selskabets fokus vil være rettet mod BN-Brachyury og anvendelsen af intravenøs og intra-tumoral vaccination.
- **BN-Brachyury** undersøges for øjeblikket i et fase 2-forsøg i patienter med fremskreden chordoma-kræft. Dette forsøg, der også er udformet i to dele, indikerede klinisk aktivitet i den første del, hvilket muliggjorde udvidelse af rekrutteringen af patienter, der blev fuldført for nylig. Afgørende resultater fra forsøget ventes inden for de næste 12 måneder.
- Et planlagt fase 1 dosiseskaleringsstudie, der vil undersøge sikkerheden af intravenøs vaccination med MVA-BN Brachyury i patienter med brachyury-positive tumorer, vil blive påbegyndt snarligt af National Cancer Institute.

## Kommerciel produktion

- Byggeriet af vores **fyldefabrik** skrider frem som planlagt, og vi forventer at bygningen og produktionsudstyr står klar ved udgangen af 2019, som også vil være året med de største investeringer i projektet med samlede projektinvesteringer på i alt ca. DKK 270 mio.
- Tilføjelsen af en stor-skala fyldefabrik til vores eksisterende bulkproduktion vil øge vores **produktionskompetencer** markant og muliggør såvel integration af produkterne fra GSK, som fortsat produktion for vores partnere, herunder opfyldelse af vores kontrakt på koppevacciner med den amerikanske regering.
- For at understøtte samtidig produktion af forskellige produkter vil vi investere i en ny, selvstændig renrumsfacilitet på vores eksisterende produktionsfacilitet. Arbejdet med dette påbegyndes i 2020.

## ØKONOMISKE RESULTATER OG FORVENTNINGER

### De økonomiske resultater for de første ni måneder var på linje med vores forventninger

- Omsætningen i perioden var DKK 372 mio. (DKK 319 mio. i samme periode i 2018)
- Resultatet før renter og skat (EBIT) var et underskud på DKK 298 mio. (underskud på DKK 261 mio. i samme periode i 2018)
- Pr. 30. september 2019 var koncernens kapitalberedskab DKK 1.740 mio. (DKK 2.314 mio. pr. 31. december 2018), inklusive uudnyttede lånefaciliteter på DKK 244 mio. (DKK 244 mio. pr. 31. december 2018).

### Forventningerne til 2019 fastholdes

Hovedparten af vores omsætning i 2019 er relateret til produktion og frigivelse af råvaccine til den amerikanske regering, hvoraf størstedelen vil finde sted i fjerde kvartal 2019. Således fastholder vi de økonomiske forventninger til 2019 som udmeldt den 21. marts 2019 med en omsætning på ca. DKK 600 mio. og et underskud før skat (EBIT) på ca. DKK 360 mio. Det forventede kapitalberedskab ved udgangen af året blev justeret i oktober fra ca. DKK 1.600 mio. til ca. DKK 1.000 mio., som følge af det annoncerede køb af to vacciner fra GSK.

Detaljerede økonomiske forventninger til 2020 vil blive fremlagt i forbindelse med offentliggørelse af selskabets årsrapport for 2019. Selskabet kan dog, såfremt transaktionen med GSK gennemføres planmæssigt, bekræfte at det vil være profitabelt på EBITDA allerede i 2020. Et salg af den priority review voucher, som blev tildelt af FDA i forbindelse med godkendelsen af JYNNEOS™ i september, indgår ikke i disse forventninger.

De økonomiske forventninger er baseret på en vekselkurs på DKK 6,50 pr. 1,00 USD. For yderligere detaljer om forudsætningerne, der ligger til grund for forventningerne, henvises til årsrapporten for 2018.

### Finanskalender for 2019 og 2020

Datoen for offentliggørelse af selskabets årsrapport for 2019 er blevet ændret til den 20. februar 2020.

27. november 2019	Ekstraordinær generalforsamling *
20. februar 2020	Årsrapport 2019
21. april 2020	Ordinær generalforsamling **
14. maj 2020	Delårsrapport (Q1) for 3 måneder (1. januar - 31. marts 2020)
26. august 2020	Delårsrapport (Q2) for 6 måneder (1. januar - 30. juni 2020)
11. november 2020	Delårsrapport (Q3) for 9 måneder (1. januar - 30. september 2020)

\* Den ekstraordinære generalforsamling er indkaldt med henblik på at opnå bemyndigelse til at forhøje selskabskapitalen via en planlagt fortegningssemission i første halvår 2020 for at sikre finansieringen af omkostningerne forbundet med købet af Rabipur/RabAvert og Encepur. Se [www.bavarian-nordic.com/egm](http://www.bavarian-nordic.com/egm) for yderligere information.

\*\* I henhold til §12 i selskabets vedtægter henledes opmærksomheden på, at fristen for aktionærer til indgivelse af ønsker om optagelse af et bestemt emne til behandling på den ordinære generalforsamling, er onsdag den 11. marts 2020.

## ØVRIGE FORHOLD

### Incitamentsprogrammer for medarbejdere og ledelsen i Bavarian Nordic

Bestyrelsen har i dag besluttet at udstede tegningsoptioner til koncernledelsen og udvalgte medarbejdere i Bavarian Nordic koncernen. Beslutningen er truffet i henhold til generalforsamlingens bemyndigelse til bestyrelsen, jf. vedtægternes § 5b, og i overensstemmelse med selskabets retningslinjer for incitamentsafslønning.

Under tegningsoptionsprogrammet udstedes der i alt 564.585 tegningsoptioner, der giver optionsholderne ret til tegning af op til i alt 564.585 aktier a nominelt DKK 10, til en udnyttelseskurs på DKK 185,4 pr. aktie. Udnyttelse af tildelte tegningsoptioner kan ske, helt eller delvist, i otte fastsatte tegningsperioder i løbet af 2023 og 2024.

Værdien pr. tegningsoption udgør DKK 45,5 beregnet ved anvendelse af Black-Scholes model med en risikofri rente på -0,69% og ud fra den historiske volatilitet for aktien. Beregningen er foretaget ud fra en aktiekurs på DKK 154.05.

Endvidere iværksætter selskabet et treårigt incitamentsprogram i januar 2020 for alle medarbejdere i Bavarian Nordic koncernen, undtaget herfor er medarbejdere, der modtager tegningsoptioner. Programmet er et kontant bonusprogram, der baseres på udviklingen i selskabets aktiekurs. Incitamentsprogrammet medfører ikke udvanding for selskabets aktionærer.

Hver deltagende medarbejder tildeles hver måned såkaldte fantomaktier frem til og med 31. december 2022. Udnyttelseskursen er DKK 185,4. Fantomaktierne kan udnyttes i januar 2023, og kun såfremt kursen på selskabets aktier til den tid overstiger udnyttelseskursen med mindst DKK 5. I så fald vil hver fantomaktie udløse en kontant bonus svarende til DKK 1 pr. kurspoint kursen på selskabets aktier overstiger udnyttelseskursen.

Baseret på det nuværende antal ansatte i koncernen, der kan deltage i programmet, vil programmet omfatte op til 72.288 fantomaktier. Den gennemsnitlige værdi pr. fantomaktie udgør DKK 27,7 beregnet ved anvendelse af Black-Scholes model med en risikofri rente på -0,69% og ud fra den historiske volatilitet for aktien. Beregningen er foretaget ud fra en aktiekurs på DKK 154,05.

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### Webcast og telefonkonference

Selskabets ledelse afholder en telefonkonference i dag kl. 14.00 dansk tid for at præsentere delårsregnskabet og besvare eventuelle spørgsmål. Præsentationen kan følges via webcast på <http://www.bavarian-nordic.com/investor/events.aspx?event=5505>. For at stille spørgsmål til ledelsen, benyt venligst et af følgende telefonnumre og oplys deltagerkoden 8772778: Danmark: +45 32 72 80 42, UK: +44 (0) 844 571 8892, USA: +1 631-510-7495.

### Kontakt

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Selskabsmeddelelse nr. 21 / 2019

### Om Bavarian Nordic

Bavarian Nordic er et fuldt integreret biotekselskab, der er fokuseret på udvikling af innovative vacciner mod infektionssygdomme og kræft. Med udgangspunkt i vores virale vaccineplatform, MVA-BN<sup>®</sup>, har vi udviklet en bred portefølje af produktkandidater, der sigter mod at forbedre sundheden og livskvaliteten for børn og voksne. Ud over vores mangeårige samarbejde med den amerikanske regering om udvikling og levering af medicinske foranstaltninger, inklusive den eneste FDA-godkendte ikke-replikerende koppevaccine, har vi inden for infektionssygdomme et egenudviklet program for RS-virus samt vaccinekandidater mod Ebola, HPV, hiv og hepatitis B, der udvikles som led i et strategisk partnerskab med Janssen. Desuden har vi udviklet en portefølje af aktive cancerimmunoterapier, der er udformet til at ændre patienters sygdomsforløb ved at fremkalde et robust og bredt immunrespons mod kræft, og som har en favorabel bivirkningsprofil. For yderligere information besøg [www.bavarian-nordic.com](http://www.bavarian-nordic.com) eller følg os på Twitter [@bavariannordic](https://twitter.com/bavariannordic).

### Udsagn om fremtiden

Denne meddelelse indeholder fremadrettede udsagn, som er forbundet med risici, usikkerheder og andre faktorer, hvoraf mange er uden for vores kontrol. Dette kan medføre, at faktiske resultater afviger væsentligt fra de resultater, som er omhandlet i ovennævnte fremadrettede udsagn. Fremadrettede udsagn omfatter udsagn vedrørende vores planer, mål, fremtidige begivenheder, præstation og/eller anden information, som ikke er historisk information. Alle fremadrettede udsagn skal udtrykkeligt vurderes i sammenhæng med de forbehold, der er taget eller henvist til i denne erklæring. Vi påtager os ingen forpligtelser til offentligt at opdatere eller revidere udsagn om fremtiden således, at disse afspejler efterfølgende begivenheder eller omstændigheder, undtagen i det omfang dette er foreskrevet ved lov.

**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
<b>Income statements</b>					
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)
<b>Balance sheet</b>					
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
<b>Cash flow statements</b>					
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
<b>Financial Ratios (DKK) <sup>1)</sup></b>					
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

<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. 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 derivative 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)
<b>Cash preparedness</b>	<b>1,740</b>	<b>2,401</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 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
<b>Gross profit</b>		<b>51,347</b>	<b>141,242</b>	<b>152,180</b>	<b>174,115</b>	<b>245,500</b>
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
<b>Total operating costs</b>		<b>147,853</b>	<b>122,275</b>	<b>450,009</b>	<b>435,038</b>	<b>599,982</b>
<b>Income before interest and tax (EBIT)</b>		<b>(96,506)</b>	<b>18,967</b>	<b>(297,829)</b>	<b>(260,923)</b>	<b>(354,482)</b>
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
<b>Income before company tax</b>		<b>(97,694)</b>	<b>33,336</b>	<b>(297,916)</b>	<b>(257,537)</b>	<b>(356,635)</b>
Tax on income for the period		1,487	1,617	2,972	3,003	5,292
<b>Net profit for the period</b>		<b>(99,181)</b>	<b>31,719</b>	<b>(300,888)</b>	<b>(260,540)</b>	<b>(361,927)</b>
<b>Earnings per share (EPS) - DKK</b>						
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
<b>Net profit for the period</b>	<b>(99,181)</b>	<b>31,719</b>	<b>(300,888)</b>	<b>(260,540)</b>	<b>(361,927)</b>
<b>Items that might be reclassified to the income statement:</b>					
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)
<b>Other comprehensive income after tax</b>	<b>(9,323)</b>	<b>(11,537)</b>	<b>(12,488)</b>	<b>480</b>	<b>(135)</b>
<b>Total comprehensive income</b>	<b>(108,504)</b>	<b>20,182</b>	<b>(313,376)</b>	<b>(260,060)</b>	<b>(362,062)</b>



## 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
<b>Assets</b>				
Software		25,006	24,472	32,381
Intangible assets in progress		1,194	5,787	119
<b>Intangible assets</b>		<b>26,200</b>	<b>30,259</b>	<b>32,500</b>
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
<b>Property, plant and equipment</b>		<b>791,985</b>	<b>448,979</b>	<b>518,808</b>
<b>Right-of-use assets</b>	14	<b>62,573</b>	-	-
Other receivables		1,384	1,348	1,372
<b>Financial assets</b>		<b>1,384</b>	<b>1,348</b>	<b>1,372</b>
<b>Deferred tax assets</b>	13	-	-	-
<b>Total non-current assets</b>		<b>882,142</b>	<b>480,586</b>	<b>552,680</b>
<b>Development projects for sale</b>		<b>22,200</b>	<b>22,200</b>	<b>22,200</b>
<b>Inventories</b>	8	<b>78,419</b>	<b>130,927</b>	<b>78,688</b>
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
<b>Receivables</b>		<b>84,861</b>	<b>62,122</b>	<b>90,154</b>
Securities	15	1,391,041	2,061,826	2,050,556
Cash and cash equivalents		104,555	345,652	266,658
<b>Securities, cash and cash equivalents</b>		<b>1,495,596</b>	<b>2,407,478</b>	<b>2,317,214</b>
<b>Total current assets</b>		<b>1,681,076</b>	<b>2,622,727</b>	<b>2,508,256</b>
<b>Total assets</b>		<b>2,563,218</b>	<b>3,103,313</b>	<b>3,060,936</b>

## 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
<b>Equity and liabilities</b>				
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
<b>Equity</b>		<b>1,892,102</b>	<b>2,278,541</b>	<b>2,180,628</b>
Debt to credit institutions	10	395,998	398,147	397,613
Lease liabilities	14	48,841	-	-
<b>Non-current liabilities</b>		<b>444,839</b>	<b>398,147</b>	<b>397,613</b>
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
<b>Current liabilities</b>		<b>226,277</b>	<b>426,625</b>	<b>482,695</b>
<b>Total liabilities</b>		<b>671,116</b>	<b>824,772</b>	<b>880,308</b>
<b>Total equity and liabilities</b>		<b>2,563,218</b>	<b>3,103,313</b>	<b>3,060,936</b>

## 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
<b>Net profit for the period</b>	<b>(300,888)</b>	<b>(260,540)</b>	<b>(361,927)</b>
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)
<b>Cash flow from operations (operating activities)</b>	<b>(270,320)</b>	<b>(302,147)</b>	<b>(296,734)</b>
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)
<b>Cash flow from operating activities</b>	<b>(268,908)</b>	<b>(295,185)</b>	<b>(288,529)</b>
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
<b>Cash flow from investment activities</b>	<b>353,840</b>	<b>98,232</b>	<b>17,089</b>
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)
<b>Cash flow from financing activities</b>	<b>(252,403)</b>	<b>252,838</b>	<b>245,844</b>
<b>Cash flow of the period</b>	<b>(167,471)</b>	<b>55,885</b>	<b>(25,596)</b>
Cash as of 1 January	266,658	282,521	282,521
Currency adjustments 1 January	5,368	7,246	9,733
<b>Cash end of period</b>	<b>104,555</b>	<b>345,652</b>	<b>266,658</b>

## 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
<b>Comprehensive income for the period</b>							
Net profit	-	-	(300,888)	-	-	-	(300,888)
<b>Other comprehensive income</b>							
Exchange rate adjustments on translating foreign operations	-	-	-	(250)	-	-	(250)
Fair value of financial instruments	-	-	-	-	(12,238)	-	(12,238)
<b>Total comprehensive income for the period</b>	-	-	(300,888)	(250)	(12,238)	-	(313,376)
<b>Transactions with owners</b>							
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)
<b>Total transactions with owners</b>	<b>785</b>	<b>(288)</b>	<b>8,920</b>	<b>-</b>	<b>-</b>	<b>15,433</b>	<b>24,850</b>
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
<b>Comprehensive income for the period</b>							
Net profit	-	-	(260,540)	-	-	-	(260,540)
<b>Other comprehensive income</b>							
Exchange rate adjustments on translating foreign operations	-	-	-	8	-	-	8
Fair value of financial instruments	-	-	-	-	472	-	472
<b>Total comprehensive income for the period</b>	-	-	(260,540)	8	472	-	(260,060)
<b>Transactions with owners</b>							
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)
<b>Total transactions with owners</b>	<b>655</b>	<b>-</b>	<b>6,016</b>	<b>-</b>	<b>-</b>	<b>25,633</b>	<b>32,304</b>
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
<b>3. Revenue</b>					
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
<b>Revenue</b>	<b>144,099</b>	<b>221,731</b>	<b>372,295</b>	<b>319,365</b>	<b>500,617</b>
Total revenue includes: Fair value adjustment concerning financial instruments entered into to hedge revenue	(2,168)	3,207	(2,168)	3,207	907
<b>4. Production costs</b>					
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
<b>Production costs</b>	<b>92,752</b>	<b>80,489</b>	<b>220,115</b>	<b>145,250</b>	<b>255,117</b>
<b>5. Research and development costs</b>					
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)
<b>Research and development costs</b>	<b>91,214</b>	<b>71,888</b>	<b>288,344</b>	<b>276,621</b>	<b>386,299</b>
<b>6. Financial income</b>					
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
<b>Financial income</b>	<b>9,187</b>	<b>21,875</b>	<b>18,660</b>	<b>28,079</b>	<b>34,973</b>
<b>7. Financial expenses</b>					
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
<b>Financial expenses</b>	<b>10,375</b>	<b>7,506</b>	<b>18,747</b>	<b>24,693</b>	<b>37,126</b>

DKK thousand	30/9 2019	30/9 2018	31/12 2018
<b>8. Inventories</b>			
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)
<b>Inventories</b>	<b>78,419</b>	<b>130,927</b>	<b>78,688</b>
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	-	-
<b>Write-down end of period</b>	<b>(93,641)</b>	<b>(68,412)</b>	<b>(107,692)</b>
<b>9. Other receivables</b>			
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
<b>Other receivables</b>	<b>30,960</b>	<b>22,759</b>	<b>21,345</b>
<b>10. Debt to credit institutions</b>			
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
<b>Debt to credit institutions</b>	<b>398,146</b>	<b>649,360</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	36,066	14,520	29,075
Recognized as income during the period	(69,570)	(36,906)	(66,874)
<b>Prepayments from customers end of period</b>	<b>8,314</b>	<b>57,231</b>	<b>41,818</b>
<b>12. Other liabilities</b>			
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
<b>Other liabilities</b>	<b>84,052</b>	<b>80,229</b>	<b>96,930</b>



**13. Deferred tax asset**

DKK thousand	Recognized in		Recognized in equity	September 30, 2019
	January 1, 2019	the income statement		
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)
<b>Recognized deferred tax assets</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>

**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
<b>Right-of-use assets as of September 30, 2019</b>	<b>60,694</b>	<b>1,453</b>	<b>426</b>	<b>62,573</b>

**Lease liabilities**

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

**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)
<b>Net position</b>	<b>-</b>	<b>(188)</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 September 30, 2019

DKK thousand	Level 1	Level 2	Total
Securities	1,391,041	-	1,391,041
<b>Financial assets measured at fair value through the income statement</b>	<b>1,391,041</b>	<b>-</b>	<b>1,391,041</b>
Derivative financial instruments to hedge future cash flow (interest)	-	(12,595)	(12,595)
<b>Financial assets/liabilities used as hedging instruments</b>	<b>-</b>	<b>(12,595)</b>	<b>(12,595)</b>
Liability relating to phantom shares	-	(1,422)	(1,422)
<b>Financial liabilities measured at fair value through the income statement</b>	<b>-</b>	<b>(1,422)</b>	<b>(1,422)</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. 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
<b>Total</b>	<b>1,837,671</b>	<b>-</b>	<b>(78,500)</b>	<b>(129,163)</b>	<b>(50,000)</b>	<b>-</b>	<b>1,580,008</b>
<b>Weighted average exercise price</b>	<b>248</b>	<b>-</b>	<b>131</b>	<b>242</b>	<b>131</b>	<b>-</b>	<b>258</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 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