



Bavarian Nordic Announces First Half 2019 Results

COPENHAGEN, Denmark, August 15, 2019 - Bavarian Nordic A/S (OMX: BAVA, OTC: BVNRY) announced today its interim financial results and business progress for the first half of 2019 and releases its financial calendar for 2020.

Paul Chaplin, President & Chief Executive Officer of Bavarian Nordic said: “We have made important progress in our strategic objectives during the first half of this year with the initiation of a Phase 3 study for the freeze-dried formulation of MVA-BN and the expansion of our proof of concept Phase 2 study for BN-Brachyury. Our financial results are fully in line with our guidance and expectations and we are looking forward to the rest of the year with a rich news flow ahead of us. We expect to report additional clinical oncology data for CV301; finalize our registration plans for RSV; obtain our first ever US approval together with a priority review voucher for MVA-BN and lastly complete the construction of our fill and finish plant that will unlock higher future revenues and return the company to profitability. It is a very exciting time to be at Bavarian Nordic”.

OPERATIONAL HIGHLIGHTS

Delivering our strategy

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

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

Smallpox

- The BLA review for liquid-frozen MVA-BN is continuing, with an anticipated approval and award of a Priority Review Voucher in September 2019.
- In June, we initiated the pivotal and fully funded Phase 3 trial of the freeze-dried formulation of MVA-BN as planned. This randomized and double-blind study will enroll 1,110 healthy subjects into 3 groups and investigate the safety and immunogenicity of 3 different lots of freeze-dried MVA-BN. The study is expected to be completed by the end of 2020 and will support the subsequent approval of the freeze-dried formulation.
- In June, the U.S. Government passed the *Pandemic and All-Hazards Preparedness and Advancing Innovation Act (PAHPA) of 2019*. This bill improves the funding for critical federal biodefense programs and agencies, including Biomedical Advanced Research and Development Authority (BARDA) and the Strategic National Stockpile (SNS) at 1.2 billion annually for the next five years, while the Project BioShield Special Reserve Fund (SRF) will be funded at US\$ 710 million annually over the next 10 years. This strong financial support creates a more sustainable market place for companies like ours developing biological countermeasures.
- The production of the bulk vaccine for the current BARDA order for freeze-dried MVA-BN has been initiated and is running smoothly, however the majority of the batches will only be invoiced in the second half of 2019 adding up to a total of USD 50 million included in our guided 2019 revenues. By year-end we will then have produced bulk vaccine worth USD 333 million since our first order in 2015.
- In January, we were awarded USD 44 million by the U.S. Government for qualification of our new fill and finish facility, as well as for transfer and validation of the production process for freeze-dried MVA-BN. These activities will be finalized in 2020 before starting production of the current order to convert the bulk vaccine to approx. 13 million freeze-dried doses.

Infectious diseases

- We remain at the forefront of **RSV vaccine** development with our differentiated vaccine candidate, which has successfully concluded Phase 2 development in elderly subjects. We continue to prepare for initiating a Phase 3 trial in 2020 and plan to announce the final plans once the Phase 3 design has been confirmed with the US regulatory authorities.
- In February, our partner Janssen initiated a Phase 1/2a of the **therapeutic HPV vaccine** regimen. This is the first of three commercial programs under our partnership to enter clinical trials. The second program for a therapeutic HIV vaccine, is also expected to enter a Phase 1/2a clinical trial later this year. Collectively, these programs, along with

our Ebola collaboration, represent USD 1 billion in potential future milestone payments, in addition to royalties on future sales.

- Our partnership with the U.S. Department of Defense on the development of a prophylactic vaccine against the **equine encephalitis virus** - a rare, but potentially deadly illness - further evolved, as we received funding to support a Phase 1 clinical trial, which we expect to initiate later this year. Successful trial results could lead to additional funding of clinical development towards licensure.

Cancer immunotherapy

- In June, we reported the first results from the ongoing Phase 2 trial of **BN-Brachyury** for the treatment of chordoma. A partial response was observed in one of the first 10 patients recruited and treated with the vaccine in combination with radiation, thereby reaching the threshold for advancing the study into stage 2, where enrollment will be expanded to a total of 29 patients. We have seen strong support from the chordoma community for this study and expect to see a rapid enrollment of patients. For the study to be considered successful, a minimum of four out of the 29 patients with objective responses are required.
- Our other immune-oncology candidate, **CV301**, is currently subject of three Phase 2 trials in multiple cancers, where the vaccine is combined with different immune checkpoint inhibitors. The first results from one of these trials, where CV301 is combined with atezolizumab in bladder cancer, is expected to become available later in 2019.
- Both vaccine candidates will also be employed in new trials later this year to investigate new routes of administration as part of our strategy to further enhance our immuno-oncology platform.

Commercial

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

OTHER DEVELOPMENTS

- The Danish tax authority decided in July 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.

FINANCIALS AND OUTLOOK

Financial results for the first half in line with expectations

- Revenue generated for the six months ending June 30, 2019 was DKK 228 million/USD 35 million (DKK 98 million/USD 15 million in the first six months of 2018).
- The income before interest and tax (EBIT) was a loss of DKK 201 million/USD 31 million (loss of DKK 280 million/USD 43 million in the six months of 2018).
- As of June 30, 2019, the Group's cash preparedness was DKK 1,882 million/USD 287 million (DKK 2,314 million/USD 353 million as of December 31, 2018), including unutilized credit lines of DKK 244 million/USD 37 million (DKK 244 million/USD 37 million as of December 31, 2018).

Danish kroner (DKK) is the Company's reporting currency. The USD figures provided above are based upon an assumed exchange rate of DKK 6.56 per 1.00 USD, which was the exchange rate as of June 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, which will occur in the second half 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, a loss before interest and tax (EBIT) of approximately DKK 360 million/USD 55 million and a cash preparedness at year-end of approximately DKK 1,600 million/USD 246 million.

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

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

Financial calendar 2019 and 2020

The 2020 dates for announcement of the Company's financial reports and the annual general meeting have now been determined, and planned future reporting dates are as follows:

November 7, 2019	Third quarterly report (Q3) for the nine-month period ended September 30, 2019
March 13, 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

* 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.

Conference call and webcast

The management of Bavarian Nordic will host a conference call today at 2 pm CEST (8 am EST) to present the interim results followed by a Q&A session. A listen-only version of the call can be accessed via <http://www.bavarian-nordic.com/investor/events.aspx?event=5504>. 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 5278296.

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Company Announcement no. 14 / 2019

About Bavarian Nordic

Bavarian Nordic is a fully integrated biotechnology company focused on the development of innovative therapies against cancer and infectious diseases. Using our live virus vaccine platform technology, MVA-BN[®], we have created a diverse portfolio of proprietary and partnered product candidates intended to improve the health and quality of life for children and adults. We supply our IMVAMUNE[®] non-replicating smallpox vaccine to the U.S. Strategic National Stockpile and other government stockpiles. The vaccine is approved in the European Union (under the trade name IMVANEX[®]) and in Canada. Registration studies are currently underway in the U.S. In addition to our long-standing collaboration with the U.S. government on the development of IMVAMUNE[®] and other medical countermeasures, our infectious disease pipeline comprises a proprietary RSV program as well as vaccine candidates for Ebola, HPV, HBV and HIV, which are developed through a strategic partnership with Janssen. Additionally, in collaboration with the National Cancer Institute, we have developed a portfolio of active cancer immunotherapies, designed to alter the disease course by eliciting a robust and broad anti-cancer immune response while maintaining a favorable risk-benefit profile. Through multiple industry collaborations, we seek to explore the potential synergies of combining our immunotherapies with other immune-modulating agents, e.g. checkpoint inhibitors. For more information visit www.bavarian-nordic.com 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	1/4 - 30/6 2019	1/4 - 30/6 2018	1/1 - 30/6 2019	1/1 - 30/6 2018	1/1-31/12 2018
Income statements					
Revenue	101,362	86,340	228,196	97,634	500,617
Production costs	49,808	45,655	127,363	64,761	255,117
Research and development costs	93,391	88,099	197,130	204,733	386,299
Distribution costs	11,597	8,965	21,758	18,472	33,725
Administrative costs	43,582	50,640	83,268	89,558	179,958
Income before interest and taxes (EBIT)	(97,016)	(107,019)	(201,323)	(279,890)	(354,482)
Financial items, net	(4,304)	(2,169)	1,101	(10,983)	(2,153)
Income before company tax	(101,320)	(109,188)	(200,222)	(290,873)	(356,635)
Net profit for the period	(102,082)	(109,814)	(201,707)	(292,259)	(361,927)
Balance sheet					
Total non-current assets			792,815	445,467	552,680
Total current assets			1,879,219	2,710,095	2,508,256
Total assets			2,672,034	3,155,562	3,060,936
Equity			1,986,577	2,249,831	2,180,628
Non-current liabilities			448,490	398,685	397,613
Current liabilities			236,967	507,046	482,695
Cash flow statements					
Securities, cash and cash equivalents			1,637,730	2,479,785	2,317,214
Cash flow from operating activities			(226,439)	(311,438)	(288,529)
Cash flow from investment activities			331,033	(89,911)	17,089
- Investment in intangible assets			(680)	(2,729)	(10,186)
- Investment in property, plant and equipment			(195,401)	(80,304)	(201,775)
- Net investment in securities			527,073	(6,748)	229,206
Cash flow from financing activities			(257,670)	292,644	245,844
Financial Ratios (DKK) ¹⁾					
Earnings (basic) per share of DKK 10			(6.3)	(9.1)	(11.2)
Net asset value per share			61.5	69.8	67.5
Share price at period-end			162	188	127
Share price/Net asset value per share			2.6	2.7	1.9
Number of outstanding shares at period-end			32,321	32,245	32,311
Equity share			74%	71%	71%
Number of employees, converted to full-time, at period-end			461	428	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 STATEMENT FOR THE PERIOD JANUARY 1 - JUNE 30, 2019

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

Revenue generated for the six months ending June 30, 2019 was DKK 228 million (DKK 98 million). Revenue was composed of DKK 49 million (DKK 0 million) from the sale of MVA-BN smallpox vaccine bulk drug substance to U.S. Government and DKK 179 million (DKK 61 million) from contract work. Revenue reported for the three months ended June 30, 2019 was DKK 101 million (DKK 86 million).

Production costs totaled DKK 127 million (DKK 65 million). Costs related directly to revenue amounted to DKK 120 million (DKK 47 million). Other production costs totaled DKK 7 million (DKK 18 million). In the second quarter of 2019, production costs were DKK 50 million (DKK 46 million).

Research and development costs totaled DKK 197 million (DKK 205 million). The amount excludes R&D costs of DKK 108 million (DKK 39 million) classified as production costs.

Distribution costs totaled DKK 22 million (DKK 18 million) and administrative costs totaled DKK 83 million (DKK 90 million).

Income before interest and tax (EBIT) was a loss of DKK 201 million (loss of DKK 280 million).

Financial items totaled a net income of DKK 1 million (net expense of DKK 11 million). Net income from securities amounted to DKK 9 million (DKK 2 million), partly offset by interest expenses on debt of DKK 8 million (DKK 7 million), net foreign exchange rate losses of DKK 0 million (DKK 5 million) and net losses on derivate financial instruments of DKK 0 million (DKK 2 million).

Income before company tax was a loss of DKK 200 million (loss of DKK 291 million).

Tax on income was DKK 1 million (DKK 1 million) and relates to the German subsidiary. The Danish tax loss carry forward related to the result for the first six months of 2019 has been fully written-down. 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 343 million) and the other tax assets (tax value DKK 45 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 six months of 2019, Bavarian Nordic reported a net loss of DKK 202 million (net loss of DKK 292 million).

Following the implementation of IFRS 16 "Leases" right-of-use-assets have been recognized with DKK 66 million and lease liabilities with DKK 66 million. For further disclosure see note 14.

Securities, cash and cash equivalents decreased by DKK 679 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 six months of 2019 DKK 195 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 June 30, 2019, the Group's cash preparedness was DKK 1,882 million (DKK 2,314 million as of December 31, 2018):

DKK million	30/6 2019	30/6 2018	31/12 2018
Securities	1,524	2,300	2,050
Cash and cash equivalents	114	180	267
Securities, cash and cash equivalents	1,638	2,480	2,317
Unutilized credit facility	244	20	244
Repo transactions loan	-	(288)	(247)
Cash preparedness	1,882	2,212	2,314
European Investment Bank (bullet loan with expiry in 2022)	372	372	372

Cash flow spend on operating activities was DKK 226 million (spend of DKK 311 million), mainly driven by the net loss of DKK 202 million (net loss of DKK 292 million). Cash flow from investment activities was positive by DKK 331 million (spend of DKK 90 million) as investments in property, plant and equipment was off-set by net disposal of securities of DKK 527 million (net

investment of 7 million). Cash flow from financing activities was a spend of DKK 258 million (contribution of DKK 293 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 -153 million (DKK -109 million).

The Group's equity as of June 30, 2019 stood at DKK 1,987 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 June 30, 2019 and 2018 and December 31, 2018**

DKK thousand	Note	1/4 - 30/6 2019	1/4 - 30/6 2018	1/1 - 30/6 2019	1/1 - 30/6 2018	1/1-31/12 2018
Revenue	3	101,362	86,340	228,196	97,634	500,617
Production costs	4	49,808	45,655	127,363	64,761	255,117
Gross profit		51,554	40,685	100,833	32,873	245,500
Research and development costs	5	93,391	88,099	197,130	204,733	386,299
Distribution costs		11,597	8,965	21,758	18,472	33,725
Administrative costs		43,582	50,640	83,268	89,558	179,958
Total operating costs		148,570	147,704	302,156	312,763	599,982
Income before interest and tax (EBIT)		(97,016)	(107,019)	(201,323)	(279,890)	(354,482)
Financial income	6	4,078	5,428	9,617	11,022	34,973
Financial expenses	7	8,382	7,597	8,516	22,005	37,126
Income before company tax		(101,320)	(109,188)	(200,222)	(290,873)	(356,635)
Tax on income for the period		762	626	1,485	1,386	5,292
Net profit for the period		(102,082)	(109,814)	(201,707)	(292,259)	(361,927)
Earnings per share (EPS) - DKK						
Basic earnings per share of DKK 10		(3.2)	(3.4)	(6.3)	(9.1)	(11.2)
Diluted earnings per share of DKK 10		(3.2)	(3.4)	(6.3)	(9.1)	(11.2)

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

DKK thousand	1/4 - 30/6 2019	1/4 - 30/6 2018	1/1 - 30/6 2019	1/1 - 30/6 2018	1/1-31/12 2018
Net profit for the period	(102,082)	(109,814)	(201,707)	(292,259)	(361,927)
Items that might be reclassified to the income statement:					
Exchange rate adjustments on translating foreign operations	153	12,058	157	12,128	93
Fair value of financial instruments entered into to hedge future cash flows	366	(255)	(3,322)	(111)	(228)
Other comprehensive income after tax	519	11,803	(3,165)	12,017	(135)
Total comprehensive income	(101,563)	(98,011)	(204,872)	(280,242)	(362,062)

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

DKK thousand	Note	30/6 2019	30/6 2018	31/12 2018
Assets				
Software		27,522	26,190	32,381
Intangible assets in progress		454	3,910	119
Intangible assets		27,976	30,100	32,500
Land and buildings		170,881	187,518	179,442
Leasehold improvements		908	1,245	1,047
Plant and machinery		49,253	58,081	54,311
Fixtures and fittings, other plant and equipment		23,253	20,529	21,894
Assets under construction		453,394	146,648	262,114
Property, plant and equipment		697,689	414,021	518,808
Right-of-use assets	14	65,819	-	-
Other receivables		1,331	1,346	1,372
Financial assets		1,331	1,346	1,372
Deferred tax assets	13	-	-	-
Total non-current assets		792,815	445,467	552,680
Development projects for sale		22,200	22,200	22,200
Inventories	8	97,221	139,777	78,688
Trade receivables		82,188	30,883	31,227
Tax receivables		-	5,396	-
Other receivables	9	25,001	19,961	21,345
Prepayments		14,879	12,093	37,582
Receivables		122,068	68,333	90,154
Securities	15	1,523,558	2,300,234	2,050,556
Cash and cash equivalents		114,172	179,551	266,658
Securities, cash and cash equivalents		1,637,730	2,479,785	2,317,214
Total current assets		1,879,219	2,710,095	2,508,256
Total assets		2,672,034	3,155,562	3,060,936

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

DKK thousand	Note	30/6 2019	30/6 2018	31/12 2018
Equity and liabilities				
Share capital		323,206	323,106	323,106
Treasury shares		(684)	(233)	(507)
Retained earnings		1,595,507	1,870,591	1,797,122
Other reserves		68,548	56,367	60,907
Equity		1,986,577	2,249,831	2,180,628
Debt to credit institutions	10	396,539	398,685	397,613
Lease liabilities	14	51,951	-	-
Non-current liabilities		448,490	398,685	397,613
Debt to credit institutions	10	2,148	290,481	248,877
Lease liabilities	14	14,290	-	-
Prepayment from customers	11	9,736	63,854	41,818
Trade payables		112,051	71,545	93,962
Company tax		1,142	82	1,108
Other liabilities	12	97,600	81,084	96,930
Current liabilities		236,967	507,046	482,695
Total liabilities		685,457	905,731	880,308
Total equity and liabilities		2,672,034	3,155,562	3,060,936

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

DKK thousand	1/1 - 30/6 2019	1/1 - 30/6 2018	1/1-31/12 2018
Net profit for the period	(201,707)	(292,259)	(361,927)
Adjustment for non-cash items:			
Financial income	(9,617)	(11,022)	(34,973)
Financial expenses	8,516	22,005	37,126
Tax on income for the period	1,485	1,386	5,292
Depreciation, amortization and impairment losses	28,727	19,879	41,639
Share-based payment	14,738	18,559	33,913
Changes in inventories	(18,533)	(27,930)	33,159
Changes in receivables	(24,973)	(20,222)	(39,990)
Changes in current liabilities	(32,062)	(28,008)	(10,973)
Cash flow from operations (operating activities)	(233,426)	(317,612)	(296,734)
Received financial income	16,030	15,204	27,662
Paid financial expenses	(7,592)	(7,586)	(15,642)
Paid company taxes	(1,451)	(1,444)	(3,815)
Cash flow from operating activities	(226,439)	(311,438)	(288,529)
Investments in and additions to intangible assets	(680)	(2,729)	(10,186)
Investments in property, plant and equipment	(195,401)	(80,304)	(201,775)
Investments in/disposal of financial assets	41	(130)	(156)
Investments in securities	(879,633)	(790,356)	(1,228,709)
Disposal of securities	1,406,706	783,608	1,457,915
Cash flow from investment activities	331,033	(89,911)	17,089
Payment on loans	(247,803)	(1,075)	(2,151)
Proceeds from loans	-	288,329	246,729
Repayment of lease liabilities	(6,580)	-	-
Proceeds from warrant programs exercised	1,314	5,415	5,415
Cost related to issue of new shares	(25)	(25)	(25)
Purchase of treasury shares	(4,576)	-	(4,124)
Cash flow from financing activities	(257,670)	292,644	245,844
Cash flow of the period	(153,076)	(108,705)	(25,596)
Cash as of 1 January	266,658	282,521	282,521
Currency adjustments 1 January	590	5,735	9,733
Cash end of period	114,172	179,551	266,658

Unaudited Condensed Consolidated Statements of Changes in Equity for the Periods June 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	-	-	(201,707)	-	-	-	(201,707)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	157	-	-	157
Fair value of financial instruments	-	-	-	-	(3,322)	-	(3,322)
Total comprehensive income for the period	-	-	(201,707)	157	(3,322)	-	(204,872)
Transactions with owners							
Share-based payment	-	-	-	-	-	14,108	14,108
Warrant program exercised	100	-	1,505	-	-	(291)	1,314
Cost related to issue of new shares	-	-	(25)	-	-	-	(25)
Purchase of treasury shares	-	(288)	(4,288)	-	-	-	(4,576)
Total transactions with owners	100	(288)	(2,808)	-	-	13,817	10,821
Equity as of June 30, 2019	323,206	(795)	1,592,607	(37,252)	(3,679)	112,490	1,986,577

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	-	-	(292,259)	-	-	-	(292,259)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	12,128	-	-	12,128
Fair value of financial instruments	-	-	-	-	(111)	-	(111)
Total comprehensive income for the period	-	-	(292,259)	12,128	(111)	-	(280,242)
Transactions with owners							
Share-based payment	-	-	-	-	-	18,386	18,386
Warrant program exercised	655	-	5,945	-	-	(1,185)	5,415
Warrant program expired	-	-	47	-	-	(47)	-
Cost related to issue of new shares	-	-	(25)	-	-	-	(25)
Total transactions with owners	655	-	5,967	-	-	17,154	23,776
Equity as of June 30, 2018	323,106	(233)	1,870,591	(25,374)	(240)	81,981	2,249,831

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 six months of 2019, the income before interest and tax (EBIT) for the period would have been a loss of DKK 202 million, an increase of DKK 1 million in loss compared to the actual numbers for the first six 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.

Effect from implementing IFRIC 23, Uncertainty over income tax treatment

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

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

2. Significant accounting estimates, assumptions and uncertainties

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

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

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

DKK thousand	1/4 - 30/6 2019	1/4 - 30/6 2018	1/1 - 30/6 2019	1/1 - 30/6 2018	1/1-31/12 2018
3. Revenue					
MVA-BN smallpox vaccine sale	110	32,545	48,959	36,925	360,523
Sale of goods	110	32,545	48,959	36,925	360,523
Contract work	101,252	53,795	179,237	60,709	140,094
Sale of services	101,252	53,795	179,237	60,709	140,094
Revenue	101,362	86,340	228,196	97,634	500,617
Total revenue includes: Fair value adjustment concerning financial instruments entered into to hedge revenue	-	-	-	-	907
4. Production costs					
Cost of goods sold, MVA-BN smallpox vaccine	68	7,252	12,255	7,419	94,557
Contract costs	65,215	34,491	108,389	39,021	74,269
Other production costs	(15,475)	3,912	6,719	18,321	86,291
Production costs	49,808	45,655	127,363	64,761	255,117
5. Research and development costs					
Research and development costs occurred in the period Of which:	158,606	122,590	305,519	243,754	460,568
Contract costs recognized as production costs	(65,215)	(34,491)	(108,389)	(39,021)	(74,269)
Research and development costs	93,391	88,099	197,130	204,733	386,299
6. Financial income					
Financial income from bank and deposit contracts	91	210	522	335	842
Interest income from financial assets not measured at fair value through the income statement	91	210	522	335	842
Financial income from securities	3,987	5,218	9,095	10,687	21,765
Net foreign exchange gains	-	-	-	-	12,366
Financial income	4,078	5,428	9,617	11,022	34,973
7. Financial expenses					
Interest expenses on debt	3,973	3,377	8,064	7,054	14,531
Interest expenses on financial liabilities not measured at fair value through the income statement	3,973	3,377	8,064	7,054	14,531
Fair value adjustments on securities	3,154	2,389	308	8,308	18,667
Net loss on derivative financial instruments at fair value through the income statement	16	314	16	1,825	3,928
Net foreign exchange losses	1,239	1,517	128	4,818	-
Financial expenses	8,382	7,597	8,516	22,005	37,126

DKK thousand	30/6 2019	30/6 2018	31/12 2018
8. Inventories			
Raw materials and supply materials	30,150	30,363	28,391
Work in progress	158,387	172,523	156,232
Manufactured goods and commodities	1,750	1,797	1,757
Write-down on inventory	(93,066)	(64,906)	(107,692)
Inventories	97,221	139,777	78,688
Write-down on inventory 1 January	(107,692)	(52,705)	(52,705)
Write-down during the period	(3,364)	(12,201)	(54,987)
Use of write-down	4,236	-	-
Reversal of write-down	13,754	-	-
Write-down end of period	(93,066)	(64,906)	(107,692)
9. Other receivables			
Receivable VAT and duties	20,738	12,231	10,669
Financial instruments at fair value	-	74	-
Accrued interest	4,263	7,656	10,676
Other receivables	25,001	19,961	21,345
10. Debt to credit institutions			
Mortgage	26,492	28,642	27,566
European Investment Bank (loan in DKK)	372,195	372,195	372,195
Security lending (repo transactions)	-	288,329	246,729
Debt to credit institutions	398,687	689,166	646,490
11. Prepayment from customers			
Prepayments from customers as of January 1	41,818	79,617	79,617
Prepayments received during the period	34,498	14,411	29,075
Recognized as income during the period	(66,580)	(30,174)	(66,874)
Prepayments from customers end of period	9,736	63,854	41,818
12. Other liabilities			
Financial instruments at fair value	3,694	269	388
Liability relating to phantom shares	904	1,607	275
Payable salaries, holiday accrual etc.	54,981	59,185	58,403
Deposit and prepaid rent from sub-tenants	-	1,777	1,379
Other accrued costs	38,021	18,246	36,485
Other liabilities	97,600	81,084	96,930

13. Deferred tax asset

DKK thousand	January 1, 2019	Recognized in the income statement	Recognized in equity	June 30, 2019
Intangible assets	3,703	(831)	-	2,872
Property, plant and equipment	15,515	3,230	-	18,745
Development projects for sale	17,420	-	-	17,420
Accrued project costs	(7,335)	5,711	-	(1,624)
Financial instruments	78	-	731	809
Share-based payment	4,154	2,430	-	6,584
Tax losses carried forward	310,359	32,718	-	343,077
Write-down	(343,894)	(43,258)	(731)	(387,883)
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	-	861	-	861
Modifications	(10,944)	-	-	(10,944)
Depreciations	(6,127)	(722)	(157)	(7,006)
Exchange rate adjustments	41	-	-	41
Right-of-use assets as of June 30, 2019	63,440	1,875	504	65,819

Lease liabilities

DKK thousand	30/6 2019
Non-current	51,951
Current	14,290
Lease liabilities	66,241

Amounts included in the income statement

DKK thousand	1/1 - 30/6 2019
Interest expense leases	937
Depreciation recognized on right-of-use assets	7,006
Cost recognized for short term leases (less than 12 months)	187

In first six months of 2019 the total cash outflow relating to lease was DKKt 7,517, split between interests of DKKt 937 and repayment of DKKt 6,580.

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	30/6 2019	30/6 2018	31/12 2018
Carrying amount of transferred securities	-	288,205	246,432
Carrying amount of associated liabilities (repo transactions)	-	(288,329)	(246,729)
Net position	-	(124)	(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 June 30, 2019

DKK thousand	Level 1	Level 2	Total
Securities	1,523,558	-	1,523,558
Derivative financial instruments at fair value through the income statement (currency)	-	(16)	(16)
Financial assets measured at fair value through the income statement	1,523,558	(16)	1,523,542
Derivative financial instruments to hedge future cash flow (interest)	-	(3,679)	(3,679)
Financial assets/liabilities used as hedging instruments	-	(3,679)	(3,679)
Liability relating to phantom shares	-	(904)	(904)
Financial liabilities measured at fair value through the income statement	-	(904)	(904)

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 June 30, 2019**

	Outstanding as of January 1	Addition during the period	Warrants exercised	Annulled	Terminated	Trans- ferred	Outstanding as of June 30
Corporate Management	262,590	-	-	-	-	-	262,590
Other Executive Management	221,172	-	-	-	-	-	221,172
Other employees	1,065,467	-	(10,000)	(107,291)	-	-	948,176
Resigned employees	288,442	-	-	-	-	-	288,442
Total	1,837,671	-	(10,000)	(107,291)	-	-	1,720,380
Weighted average exercise price	248	-	131	245	-	-	249
Weighted average share price at exercise	-	-	-	-	-	-	-
Numbers of warrants which can be exercised as of June 30, 2019							532,430
at a weighted average exercise price of DKK							262

The total recognized cost of the warrant programs was DKK 10.4 million in the first six months of 2019 (DKK 16.1 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

There have been no significant events between June 30, 2019 and the date of approval of the Interim Results for the first six months of 2019.

20. Approval of the unaudited condensed consolidated interim financial statements

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors and Corporate Management and authorized for issue on August 15, 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 June 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 June 30, 2019, and the results of the group’s activities and cash flows for the period January 1 to June 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, August 15, 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